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# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Year Ended December 31, 2003

METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

B24 B26



METROPOLITAN WASHINGTON AIRPORTS AUTHORITY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
YEAR ENDED DECEMBER 31, 2003

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Margaret E. McKeough, Executive Vice President & Chief Operating Officer \*

Lynn Hampton, CPA, Vice President for Finance and Chief Financial Officer

Anne M. Field, CPA, Controller

\* Effective April 1, 2004.

*Prepared by the Office of Finance*

**METROPOLITAN WASHINGTON AIRPORTS AUTHORITY**  
**Comprehensive Annual Financial Report**  
**for the Year Ended December 31, 2003**

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March 30, 2004

To the Board of Directors and  
The President and Chief Executive Officer of the  
Metropolitan Washington Airports Authority

The Comprehensive Annual Financial Report (CAFR) of the Metropolitan Washington Airports Authority (the Authority) for the year ended December 31, 2003, is submitted herewith. The Office of Finance prepared this report. Responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with the Authority. To the best of our knowledge and belief, this report fairly presents and fully discloses the Authority's financial position, results of operations, and cash flows in accordance with accounting principles generally accepted in the United States of America. The report of the independent auditors on the financial statements is included on page 13. It includes disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities included within the CAFR.

This report was prepared following the guidelines recommended by the Government Finance Officer's Association of the United States and Canada (GFOA). The GFOA awards Certificates of Achievement to those governments whose annual financial reports are judged to conform substantially with the high standards of public financial reporting, including accounting principles generally accepted in the United States of America, promulgated by the Governmental Accounting Standards Board (GASB).

The CAFR is divided into three sections. The Introductory Section contains this Transmittal Letter which includes a narrative of the Authority's history and background and an organization chart listing the principal staff of the Authority. The Financial Section begins with the Report of Independent Auditors and is followed by the required supplementary information, Management's Discussion and Analysis (MD&A) of the financial condition of the Authority, followed by the Authority's Financial Statements and Notes to the Financial Statements. The Statistical Section includes selected financial and operational information, generally presented on a multi-year basis.

## **REPORTING ENTITY AND ITS SERVICES**

The Authority is a public body politic and corporate, created with the consent of the Congress of the United States by an Act of the District of Columbia and an Act of the Commonwealth of Virginia for the purpose of operating, maintaining, and improving Ronald Reagan Washington National Airport (Reagan National) and Washington Dulles International Airport (Washington Dulles)— collectively, the Airports. The Airports had historically been managed by the Federal Aviation Administration (FAA) of the United States Department of Transportation. Pursuant to an Agreement and Deed of Lease, effective June 7, 1987, the Airports were transferred by the U. S. Government to the Authority for an initial term of 50 years. On June 17, 2003 the Agreement and Deed of Lease was extended 30 years to June 6, 2067.

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A 13-member Board of Directors presently governs the Authority. Five members are appointed by the Governor of Virginia, three are appointed by the Mayor of the District of Columbia subject to confirmation by the Council of the District of Columbia, two are appointed by the Governor of Maryland, and three are appointed by the President of the United States with the advice and consent of the Senate. Directors serve staggered, six-year overlapping terms without compensation. They establish the Authority's policy and appoint the Chief Executive Officer. The Board annually elects a Chairman, Vice Chairman, and Secretary.

James E. Bennett, became the President and Chief Executive Officer of the Authority on May 3, 2003. In this position Mr. Bennett plans and directs all programs and activities of the Authority, focusing on the future and the development of long-term business strategies. Mr. Bennett was formerly the Executive Vice President and Chief Operating Officer of the Authority.

Christopher U. Browne is the Vice President and Airport Manager of National. National, which opened in 1941, is the oldest commercial airport serving the Washington, D.C. area and is located on 860 acres along the Potomac River in Arlington County, Virginia. Approximately three miles from downtown Washington, D.C., National is the Authority's principal domestic airport served by 26 airlines.

Keith W. Meurlin is the Vice President and Airport Manager of Washington Dulles. Washington Dulles, which opened in 1962, is situated on 11,000 acres in Fairfax and Loudoun Counties, Virginia. Washington Dulles is 26 miles from downtown Washington, D.C., and is accessible via a 17-mile dedicated dual-laned Access Road and Interstate Route 66. Washington Dulles is the Authority's international airport, served by 41 domestic and international airlines, providing a full range of domestic services with international service to Europe, Asia, South America, and Africa.

## **SIGNIFICANT ECONOMIC EVENTS**

On September 11, 2001, terrorists hijacked aircraft and attacked several sites in the United States, including the Pentagon which is located in close proximity to National. As a result of the attacks, there have been significant changes to the aviation industry including additional security and related costs. In 2003, the federal government declared a security threat level orange four times to reflect potential terrorist activity. National and Washington Dulles are required to increase passenger and vehicle screening activity during the course of the increased threat level. It is estimated that the Authority's code orange related costs total \$8,700 per day and there were 70 days of code orange alert in 2003.

The economic difficulties of the airline industry continued in 2003. Although US Airways emerged from bankruptcy, they continued to run an operating loss throughout the year. United Airlines (United) continued to operate under bankruptcy protection throughout the year. United is expected to emerge from bankruptcy in 2004.

Low-fare and low-cost carriers have continued to grow both in overall activity and in financial strength. Airlines like Air Tran, ATA, Frontier, jetBlue, Southwest, and Spirit now represent 24% of domestic passengers, up from 14% in 1993. Low-fare and low-cost carriers operating at Washington Dulles include Air Canada Jazz, Air Tran, America West, Frontier, and jetBlue and low-fare and low-cost carriers at National are Air Tran, ATA, Frontier and Spirit.

On November 19, 2001, the Aviation and Transportation Security Act (the Security Act) was enacted into law. The Security Act required that by December 31, 2002, sufficient explosive detection systems (EDS) be deployed at airports in the United States to screen all checked baggage. The Transportation Security Administration (TSA) was compliant with the law by the required date at National and Washington Dulles.

### *Highlights of the 2003 Budget*

A budget is prepared each year and is a financial planning tool used to estimate revenues and expenditures. The Budget is not prepared according to generally accepted accounting principles (GAAP).

Operating revenues plus airline transfers reached 99.9% of budget expectations in 2003, while in 2002, operating revenues, airline transfers and federal compensation reached 103.0% of budget expectations. Actual concession revenue of \$113.4 million reached 102.9% of budget, principally because of parking, fixed based operators and advertising revenues. International arrival fees of \$12.8 million reached 152.2% of budget, reflecting the recovery of international travel during 2003.

Operating expenses reached 95.8% of budget authorization in 2003, while in 2002 expenses reached 99.0% of budget authorization. The Authority continued its attention to reduce operating expenses in the 2003 budget through a continued hiring freeze and strict procurement constraints. Although the airlines and the federal government are primarily responsible for, and bear most of the cost associated with implementing new federally mandated security measures, the Authority has experienced increased operating costs in order to comply with federally mandated and other security and operating requirements. The TSA of the Department of Homeland Security has a significant presence at National and Washington Dulles. In 2003, certain responsibilities of the TSA were performed by the Authority's public safety personnel and were reimbursed in total by the TSA.

	<u>Budget</u>	<u>Actual<sup>1</sup></u>	<u>As a Percentage of Budget</u>
2003 Revenues	\$355,172,000	\$354,846,819	99.9%
2003 Expenses	\$204,833,900	\$196,282,824	95.8%
2002 Revenues	\$331,562,000	\$341,542,301	102.9%
2002 Expenses	\$193,921,242	\$192,058,281	99.0%

<sup>1</sup>As defined in the Airport Use and Premises Lease Agreement.

The Authority adopted a budget for 2004 that continues a conservative approach to maintaining short- and long-term financial strength and commitment to keeping facilities operating safely and efficiently.

### *Population and Employment*

The Air Trade Area for the Authority is a subset of the Washington-Baltimore Consolidated Metropolitan Statistical Area and is comprised of the District of Columbia, five Maryland counties, 11 Virginia counties, five independent Virginia cities, and the West Virginia counties of Berkeley and Jefferson. Population in the region has consistently outpaced population growth in the United States. Over the last 12 years, the population grew at an annual compounded rate of 1.7%, compared to 1.2% for the United States. Within the region, the largest concentration of population is in the combined jurisdictions of Fairfax County, the cities of Fairfax and Falls

Church, Virginia (20.0%); Montgomery County (17.6%); and Prince George's County, Maryland (16.1%); and the District of Columbia (11.1%). The 2002 population of the Air Trade Area was 5.2 million. The region has doubled in population since 1960.

The Washington metropolitan area has emerged as one of the Nation's major economic centers. Greater Washington's region is the 4<sup>th</sup> largest regional economy in the United States. Effective buying income (EBI) is disposable income after taxes and mandatory non-tax payments, such as personal contributions to Social Security and federal retirements payroll deductions. The Washington metropolitan area is one of the wealthiest regions in the country. The per capital EBI of the Air Trade Area in 2002 was \$24,569 compared to the national average per capital EBI of \$18,375.

According to the Greater Washington Initiative in its Greater Washington Regional Report, the area gross regional product surpasses \$272 billion annually. For six consecutive years, the Air Trade Area is the home of the largest number of *Inc. 500* companies. The Washington DC region ranked first, according to Entrepreneur magazine as the best U.S. city for entrepreneurship. The region had an employment growth of 10,100 jobs which was the largest regional growth in the United States. The area is diverse and entrepreneurial with \$1.7 billion in venture capital invested, second highest concentration of African American owned businesses and the third-highest concentration of large Hispanic-owned businesses.

Government employment, including federal, state, and local governments, as a percent of the total employment has declined from 27.3% in 1992 to 22.5% in 2002 while the service sector increased from 40.4% in 1993 to 45.6% by June 2003. The high percentage of service employment is related both to the presence of the federal government and the significant technology sector. The federal government is the largest single consumer of technology in the world. Federal procurement in the Washington region grew to \$31.4 billion in 2001, an increase of 100% in 10 years.

While population has grown over 16% in the last 10 years, employment increased faster than the labor force and consequently, unemployment declined steadily. As of November 2003, unemployment in the metropolitan area was 3.1%. According to the United States Department of Labor Bureau of Labor Statistics the Air Trade Area was the only large metropolitan region with positive job growth.

#### Average Annual Unemployment Rate

<u>Year</u>	<u>Air Trade Area</u>	<u>United States</u>	<u>Year</u>	<u>Air Trade Area</u>	<u>United States</u>
1994	4.1%	6.1%	1999	2.6%	4.2%
1995	4.2%	5.6%	2000	2.4%	4.0%
1996	3.9%	5.4%	2001	3.2%	4.8%
1997	3.6%	4.9%	2002	3.1%	5.7%
1998	3.2%	4.2%	2003	3.1%*	5.7%

\* Preliminary, according to United States Department of Labor Bureau of Labor Statistics.

The Washington region is an international community where 17% of its residents are foreign born. There are 168 embassies in the region and over 20,000 international students enrolled in the regional higher education



institutions. The World Bank, International Monetary Fund and the Inter-American Development Bank are major international financial organizations headquartered in Washington, D.C. The impact of international business activity is estimated at \$34 billion, according to the 2002 Greater Washington Regional Report.

The Washington region is home for the National Institute of Health which has been a catalyst to the bioscience industry. The area is recognized nationally as the leader in human genome research. There are currently 25 institutes focusing on bioscience and underdevelopment with the Howard Hughes Medical Institute and a new Eli Lilly manufacturing facility further expanding the bioscience industry.

Employment in the metropolitan area is higher than the national average in services and lower in manufacturing jobs. The trend towards increased service employment has followed the national trend in this sector. The following table shows the diversification of employment during the past decade.

Industry	% of Nonagricultural Employment			
	Air Trade Area		United States	
	1993	2003	1993	2003
Construction	4.6	5.9	4.9	5.6
Manufacturing	3.3	2.6	15.1	11.4
Transportation/Utilities	2.9	2.4	3.9	3.6
Trade	12.3	11.8	16.3	15.8
Finance/Insurance/Real Estate	5.6	5.4	2.4	6.1
Services	44.0	49.4	40.3	40.9
Government	27.3	22.5	17.1	16.6
Total	100.0	100.0	100.0	100.0

Quality of life is one of the region's greatest assets. There are over 300 arts and cultural institutions including 79 professional theater companies. The region is home to 17 professional and major college sports programs, enjoys 171 public and private golf courses and has approximately 234,000 acres of parkland with 800 miles of bikeways. The Atlantic Coast beaches and Virginia and Maryland mountains are within two hours of Washington, D.C. The Greater Washington region is host to more free attractions including the Smithsonian Museums, the federal memorials and the National Gallery of Art than any other metropolitan area in the United States.

The region is host to 41 colleges and universities. The population of the region is among the most educated in the country with 42% of its adult population having a bachelor's degree or higher, six percentage points higher than any other metropolitan region.

The fundamentals of the Washington region economy remain strong in light of the weakening national economy, the continued effects of the events of September 11, 2001 and geopolitical risks. According to the George Mason University Center for Regional Analysis, the Washington area economy out performed the National economy for the sixth consecutive year.

*Accounting System and Budgetary Control*

The management of the Authority is responsible for establishing and maintaining an internal control structure that is designed to ensure that the assets of the Authority are safeguarded. In addition, as a recipient of federal financial assistance, the Authority is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with general and specific laws and regulations related to the Airport Improvement Program (AIP) and the Aviation Safety and Capacity Expansion Act.

The objectives of an internal control structure are to provide the management with reasonable assurance that the resources are safeguarded against waste, loss, and misuse, and reliable data are recorded, maintained, and fairly disclosed in reports. The current internal controls provide the Authority with a solid base of reliable financial records from which financial statements are prepared. These accounting controls ensure that accounting data are reliable and available to facilitate the preparation of financial statements on a timely basis. Inherent limitations should be recognized in considering the potential effectiveness of any system of internal control. The concept of reasonable assurance is based on the recognition that the cost of a system of internal control should not exceed the benefits derived and that the evaluation of those factors requires estimates and judgment by management.

The Authority's Office of Audit functions include oversight of the annual financial statement audit performed by external auditors as well as internal audits of internal controls. The Office of Audit conducts internal audits to provide the Authority's management and the Board with reasonable assurance that, 1) risks are being managed; 2) management and delivery capacity are being maintained; 3) adequate control is being exercised; and, 4) appropriate results are being achieved. The Office of Audit operates under the direction of Valerie Holt, CPA, Vice President for Audit. This position has dual reporting responsibilities to the President and Chief Executive Officer and the Audit Committee of the Board. The Audit Committee of the Board has an important role in the oversight of the financial reporting to ensure the Authority's financial reports are reliable, consistent and of high quality.

The Authority's annual budget is a financial planning tool outlining the estimated revenues and expenses for the Airports at certain passenger levels. Budgetary controls and evaluations are affected by comparing actual interim and annual results with the budget, noting the actual level of passenger activities. The Authority conducts quarterly reviews to ensure compliance with the provisions of the annual operating budget approved by the Board. In keeping with the requirements of a proprietary fund, budgetary comparisons have not been included in the financial section of this report.

The Authority also prepares a Multi-year Forecast Manual to assure revenues are adequate to fund future operations and related debt service. The 10-year financial forecast is also a management tool to test the reasonableness of capital construction scenarios.

*Service Efforts and Accomplishments*

A 1990 GASB research report, stated that "Information about service efforts and accomplishments (SEA), non-financial in nature, were useful in evaluating performance and should be included in annual financial reports." The GASB has encouraged further study to determine the role of SEA measures with respect to external financial reporting. The Authority measures its performance in several areas to determine the effectiveness of programs. The

most commonly used measurement is cost per enplanement. Increasing costs alert the management to potential problems while decreasing costs often reflect the results of marketing activity and cost containment.

The following table shows the airlines' cost per enplanement at National and Washington Dulles for the past three years:

**Cost Per Enplanement**

	<u>National</u>	<u>Washington Dulles</u>
2003	\$11.29	\$13.30
2002	\$12.12	\$12.81
2001	\$14.16	\$11.30

During 2003, the changes in cost per enplanement were principally related to security cost, aviation activity and weather. At National, enplanement activity increased 10.1% helping to absorb on a cost per enplanement measurement the additional cost of security and snow removal. Washington Dulles experienced a 1.7% decrease in activity resulting in a few less passengers absorbing the increased cost. In 2002, significant cost controls, implemented in 2001, were continued and non-airline revenues which are shared with the airlines to reduce their cost, improved. In 2002, at Washington Dulles, enplanements decreased 4.3% and new facilities, including new ticket counters, a baggage basement and airfield projects were completed with the resulting cost included in the airline rates and charges. The cost controls implemented at Washington Dulles helped to keep the overall cost per enplanement at levels projected in the Multi-year Forecast Manual. At National, the 2001 cost per enplanement was inflated because the airport had federal mandated constraints on activity beginning September 12, 2001. Cost per enplanement, calculated using a formula in the Master Indenture of Trust and the Airport Use Agreement and Premises Lease (the Agreement), is not a GAAP calculation. Other SEA measurements are included in the Multi-year Forecast Manual presented annually to the management.

*Capital Construction Program*

A key reason in establishing the Authority as an independent operation was the need for substantial capital improvements at the Airports. The Authority initiated its Capital Construction Program (CCP) in 1988 (formerly the Capital Development Program) to expand, modernize and maintain the Airports. In addition to renovations and modernization of certain existing facilities, the CCP includes construction of the principal elements of the Master Plans for the Airports that are necessary for the development of the Airports. The next phase of construction will focus primarily on the development of capital projects at Washington Dulles.

As a result of the events of September 11, 2001, the Authority reexamined its plans for the CCP. The examination resulted in several projects at Washington Dulles and National being temporarily deferred. A rescheduled Washington Dulles Development Program ( $d^2$ ), the portion of the CCP planned for Washington Dulles, defers the complete design and construction of the Tier 2 Concourse, its associated airfield work and various people mover systems. The overall total estimated project cost of the CCP was reduced from \$4.2 billion to \$3.1 billion. The major portion of any facilities development is expected to be financed with the proceeds of additional bonds to be issued under the Master Indenture of Trust (Master Indenture). The Authority also expects to use passenger facility charges (PFCs), federal and state grants, and the Authority's portion of net remaining revenues (NRR) to finance a portion of the costs.

*Air Service Development*

The Authority's mission to develop the Airports is the driving force behind its continuing aggressive efforts of air service development. While the facility and service enhancement improvements at National and Washington Dulles are notable, the Authority's goal to prepare the dual airport system for the world of tomorrow would not be fulfilled without a concentrated effort to attract airline service for new domestic and international destinations.

In 2003, National experienced its highest traffic levels since the twelve months ended November 2001, up 10.1% over 2002. Of particular note during 2003, Air Tran began low-cost service to Atlanta, Ft. Lauderdale and Ft. Myers. General aviation activity is still prohibited at National, however, legislation was passed by Congress in 2003 requiring the Department of Homeland Security to develop a plan to bring back general aviation to the Airport.

The year 2003 brought positive developments in air service activity at Washington Dulles. In 2003, passenger activity declined 1.7% from 2002, whereas passenger traffic had declined 4.3% between 2002 and 2001. Washington Dulles' year-end passenger traffic rate exceeded the national average decrease of 2.7%. Looking ahead, 2003 marketing efforts yielded significant increases in flights for 2004 with announcements already made by United to bring its new Ted low-fare service to Washington Dulles in April 2004 as well as adding new United mainline service to Costa Rica in February and Zurich in June. Alitalia began service to Milan in March. By not later than November 2004, Independence Air will inaugurate new low-fare service from its Washington Dulles hub.

*Other Operations*

In 2003, National handled nearly 5,774 tons of cargo, primarily mail, a 1.6% decrease in total cargo weight over the prior year. The decrease is related to the federal mandate prohibiting individual pieces of airmail over 15 oz. in the cargo area of air carrier planes. In 2003, Washington Dulles handled over 285,352 tons of cargo. Total cargo weight decreased 12.2% over the prior year. The decrease nearly mirrors the 12.7% increase in 2002.

The Authority publishes and distributes the *Washington Flyer* magazine to provide airport-related information and promote the Washington capitol region.

*The Authority's Internet Web Page*

The Authority has an Internet web site offering a wide array of information to users, including financial information and operational statistics. Users can obtain direct access to the airlines serving the Airports, and flight arrival and departure information. The Authority's CAFR, Budget, Master Indenture, Debt Service Review, airline rates and charges and aviation statistics are posted on the web site. Since September 11, 2001, the Authority has posted monthly unaudited financial statements to include discussion of results, and other information for the Authority's bondholders and other interested parties. The Authority's financial information is available at [www.mwaa.com/financial/](http://www.mwaa.com/financial/).

*Federal Funding and Passenger Facility Charges*

Since 1988, the Authority has participated in the AIP, the federal government's airport grant program. The AIP provides funding for airport development, airport planning and noise compatibility programs from the Airport and Airway Trust Fund. The AIP also provides both entitlement and discretionary grants for eligible projects.

During 2003, the Authority also received federal reimbursement from the Federal Emergency Management Agency (FEMA) as reimbursement for some of the extraordinary expenses associated with record snowfalls and Hurricane Isabel. The Authority also received grants from the Commonwealth of Virginia.

In 1990, Congress approved the Aviation Safety and Capacity Expansion Act, which authorized domestic airports to impose a PFC on enplaning passengers. In May 1991, the FAA issued the regulations for the use and reporting of PFCs. PFCs may be used for airport projects which meet at least one of the following criteria: preserve or enhance safety, security, or capacity of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport; or furnish opportunities for enhanced competition between or among carriers.

The Authority applied for, and was granted, permission to begin collecting a \$3.00 PFC effective November 1, 1993 at National and January 1, 1994 at Washington Dulles. The Authority applied for, and received in February 2001, the approval to increase the PFC collection from \$3.00 to \$4.50, effective May 2001. During 2003, the Authority earned (including collections and interest earnings) approximately \$27.9 million in PFCs for National and approximately \$30.5 million in PFCs for Washington Dulles. In accordance with the regulations, based on the approval date from the FAA and continuing through the PFC collection period, the Authority's share of AIP entitlement grants was reduced by 75 percent.

#### *Airport Use Agreement and Premises Lease*

In February 1990, the Authority entered into a long-term agreement with the major airlines serving National and Washington Dulles. The Agreement provides the financial stability necessary for the Authority to access the capital market to fund the CCP. The Agreement is for a term of 25 years, subject to cancellation rights by the Authority in 2004. During 2003, the Authority began a review of the Agreement to determine if changes could be made to improve the operations of the Airports. The Agreement continues a long history of a close working relationship between the airlines and the Authority. The Agreement gives the airlines interest in the positive financial performance of the Authority by sharing in the NRR (See Note K).

#### *Pension and Retirement Fund Operations*

The Authority was required by the federal transfer legislation to pay the United States Civil Service Retirement and Disability Fund an amount necessary to fully fund the estimated future unfunded retirement and disability benefit liability of employees who transferred from the United States Government on June 7, 1987. The Authority made the payment in 1988 of \$23.6 million from proceeds of subordinated bonds which were retired in 1998 (See Note J). The Authority has established a retirement program (See Note H) and a deferred compensation plan (See Note I) for all employees not covered by the United States Civil Service Plans.

#### *Risk Management*

It is the Authority's policy to minimize loss exposure through the development and implementation of an effective safety program. The insurance schedules can be found on pages 92-93 of the Statistical Section of this report. The Authority initiated an Owner Controlled Wrap-Up Insurance Program (OCWIP) during fiscal year 1989. The program has maintained uniform insurance coverage, reduced the cost of the insurance for construction, and sustained quality public relations.

**OTHER INFORMATION***Recognition of Awards and Achievement*

The GFOA awarded the Authority a Certificate of Achievement for Excellence in Financial Reporting for its CAFR for the year ended December 31, 2002 (page 11). The Certificate of Achievement is the highest form of recognition for excellence in state and local government reporting. This was the fourteenth consecutive year the Authority has received this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized financial report whose contents conform to specific program standards. Such a CAFR must satisfy both GAAP and applicable legal requirements.

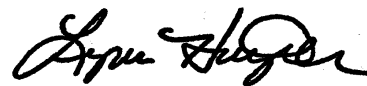
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements and are submitting this 2003 CAFR to GFOA for consideration.

*Independent Audit*

As required by the Acts of the District of Columbia and the Commonwealth of Virginia, a firm of independent certified public accountants is retained each year to conduct an audit of the financial statements of the Authority in accordance with auditing standards generally accepted in the United States of America and to meet the requirements of the Federal Single Audit Act of 1984 (pursuant to OMB Circular A-133). The Authority selected the firms of PricewaterhouseCoopers LLP and Bert Smith and Company to perform these audit services. Their opinion is presented in the financial section of this report. The Single Audit Report is presented under separate cover. Each year, the firms meet with the Audit Committee of the Board to review the results of the audit.

*Acknowledgments*

In closing, I would like to thank the President and the Board of Directors for their leadership and support in planning and conducting the financial operations of the Authority. Special thanks are directed to Anne M. Field, the Controller for the Authority, for the preparation of the CAFR. Anne received her first award for the preparation of the 2002 CAFR. She deserves a great deal of credit for its quality. Additional staff that deserve recognition for their efforts in completing the CAFR are Mark Tune, Peggy Thompson, Valerie Thompson, Rita Alston, Teri Arnold, Nancy Edwards, Paula Simms, Leon Clark, Kris Wenneson and Diane Lary as well as all the personnel within the Office of Finance.



Lynn Hampton, CPA  
Vice President and Chief Financial Officer

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

Metropolitan Washington  
Airports Authority, Virginia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Edward Haney*  
President

*Jeffrey R. Enos*  
Executive Director

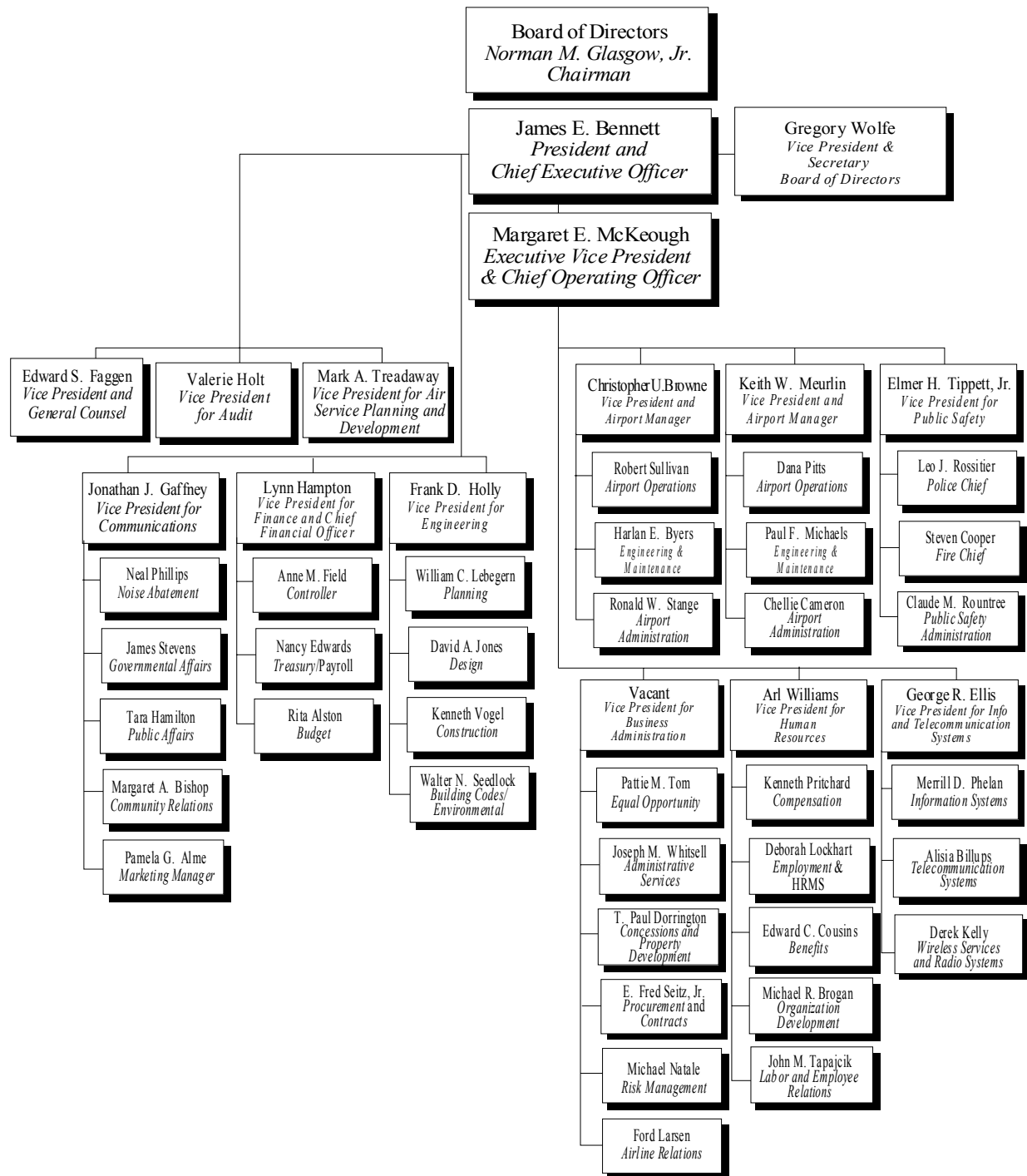
Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Metropolitan Washington Airports Authority for its comprehensive annual financial report for the year ended December 31, 2002.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. The report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Metropolitan Washington Airports Authority  
Organization Chart





## **REPORT OF INDEPENDENT AUDITORS**

To the Board of Directors  
of the Metropolitan Washington Airports Authority

In our opinion, the accompanying statements of net assets and the related statements of revenues, expenses and changes in net assets, and cash flows present fairly, in all material respects, the financial position of the Metropolitan Washington Airports Authority (the Airports Authority) as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Airports Authority management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2004 on our consideration of the Airports Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 15 to 27 and accompanying financial information listed as Exhibits S-1 through S-19 are presented for the purpose of additional analysis and are not required as part of the financial statements of the Airports Authority, but the MD&A is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

*PricewaterhouseCoopers LLP*

March 30, 2004

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)****INTRODUCTION**

The following discussion and analysis of the financial performance and activity of the Metropolitan Washington Airports Authority (the Authority) is to provide an introduction and understanding of the basic financial statements of the Authority for the year ended December 31, 2003 with selected comparative information for the years ended December 31, 2002 and December 31, 2001. This discussion has been prepared by the management and is unaudited; and should be read in conjunction with the financial statements, and the notes thereto, which follow this section.

The Authority is an independent interstate agency responsible for the operation of two airports, Ronald Reagan Washington National (Reagan National) and Washington Dulles International (Washington Dulles)—collectively, the Airports. The Authority is governed by a 13-member Board of Directors (Board) with five members appointed by the Governor of Virginia, three by the Mayor of the District of Columbia, two by the Governor of Maryland and three by the President of the United States.

On June 7, 1987, the Airports were transferred to the Authority under a 50-year lease authorized by the Metropolitan Washington Airports Act of 1986, Title VI of Public Law 99-500. The Airport Use Agreement and Premises Lease (the Agreement) has been amended and extended to 2067. All property was transferred to the Authority. Prior to the transfer, the Airports were owned and operated by the Federal Aviation Administration (FAA) an agency of the United States Department of Transportation.

The Authority operates a two-airport system that provides domestic and international air service for the mid-Atlantic region. The organization consists of 1,224 full and part-time employees in a structure that includes central administration, airports' management and operations, and public safety.

In addition to operating Reagan National and Washington Dulles, the Authority is responsible for capital improvements at both Airports. Reagan National has undergone major renovations, including the opening in July 1997, of a new terminal, providing more comfortable and efficient passenger facilities that are convenient to the Metrorail station. The Washington Dulles terminal has been expanded to double its former size and a midfield concourse has been built and expanded. At Washington Dulles, land has been acquired and an environmental impact statement is underway for the construction of a new runway to meet the need for increased capacity.

The Authority is self-supporting, using aircraft landing fees, fees from terminal and other rentals, and revenue from concessions to fund operating expenses. The Authority is not taxpayer-funded. The Capital Construction Program (CCP) is funded by Bonds issued by the Authority, federal and state grants, passenger facility charges (PFCs) and the Authority revenues.

*Using the Financial Statements*

The Authority's financial report includes three financial statements: the Statements of Net Assets, the Statements of Revenues, Expenses and Changes in Net Assets and the Statements of Cash Flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by *Governmental Accounting Standards Board* (GASB) principles. For the fiscal year ended

December 31, 2001, the Authority adopted GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions* (GASB 33) as amended by GASB Statement No. 36, and elected to early adopt GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34) as amended by GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statements Note Disclosures*. There were no new GASB standards adopted by the Authority in 2003.

The Statements of Net Assets depict the Authority's financial position as of one point in time— December 31, 2003— and include all assets and liabilities of the Authority. The Statements of Net Assets demonstrate that the Authority's assets equal liabilities plus net assets. Net assets represent the residual interest in the Authority's assets after liabilities are deducted. Net assets are displayed in three components— invested in capital assets, net of related debt, restricted, and unrestricted.

The Statements of Revenues, Expenses and Changes in Net Assets report total operating revenues, operating expenses, non-operating revenues and expenses and other changes in net assets. Revenues and expenses are categorized as either operating or non-operating based upon management's policy as established in accordance with definitions set forth in GASB 33 and GASB 34. Significant recurring sources of the Authority's revenues, including PFCs, investment income and federal, state and local grants, are reported as non-operating revenues. The Authority's interest expense is reported as non-operating expense.

The Statements of Cash Flows present information showing how the Authority's cash and cash equivalents position changed during the fiscal year. The Statements of Cash Flows classify cash receipts and cash payments as resulting from operating activities, capital and related financing activities and investing activities. Cash and cash equivalents on December 31, 2003 were \$289.1 million and on December 31, 2002 were \$193.9 million.

#### *The Authority's Activity Highlights*

Reaction to the terrorist attacks that occurred in New York, Pennsylvania and Washington, D.C., on September 11, 2001, along with economic downturn, continue to adversely affect the nation's air transportation system. The Authority has activity-based revenues which, in part, include parking, rental car, landing fees, international arrival fees and passenger conveyance fees. The events of September 11, 2001, reduced airport activity and consequently had a significant effect on the financial performance of the Authority. The aviation industry began to recover in 2002 and the recovery continued in 2003. In the spring of 2003, the conflict in Iraq and Afghanistan, and the occurrence of Sudden Acute Respiratory Syndrome (SARS), initially in Asia then spreading to North America, had a profound impact on international flight activity at Washington Dulles. As the year-end 2003 approached, the monthly activity levels at Washington Dulles rebounded. For the full year 2003, passenger activity at Washington Dulles decreased 1.7% from 2002. At Reagan National, passengers for December 2002 reached 1.2 million, or 92.6% of the pre-September 11, 2001 levels and in 2003, reached 90.5% of the passenger levels in 2000, a notable year for aviation activity. This section includes a discussion of the activity since September 11, 2001 in order to better understand its affect on the financial performance of the Authority in 2003 and 2002.

Following September 11, 2001, the FAA instituted numerous security measures for all U. S. airports, including Reagan National and Washington Dulles. The measures include, but are not limited to, prohibiting access beyond security checkpoints to persons who do not hold a valid airline ticket and enhancing the search and security screening of all passengers and baggage. Congress also enacted legislation to address the financial impact of these

attacks on the airline industry and strengthen aviation security. Overall, air carriers experienced record financial losses in 2001 and 2002. Overall aviation passenger traffic decreased by 2.8%, when compared to 2002. In North America, international passenger traffic for the twelve months of 2003 decreased by 1.8%.

Immediately after September 11, 2001, Reagan National was closed and did not reopen until October 4, 2001, when the government allowed limited commercial air carrier activity to resume. A phased resumption of flight activity was permitted and the federal government imposed limits on the number of flights, the size of aircraft, the flight path, the number of cities served and the hours of operation. As of April 27, 2002, all of these restrictions on air carrier activity were removed and Reagan National was authorized to resume its previous air carrier operations. General aviation activity of non-scheduled, privately owned aircraft was prohibited at Reagan National after the events of September 11, 2001 and the prohibition continues today. Enplanements for the 12 months of 2003 were 7,102,415 compared to 6,448,970 for the year 2002, an increase of 10.1%. The average annual enplanements at Reagan National from 1991 to 2000 were 7,728,336.

Washington Dulles, like most airports, was closed from September 11-13, 2001, and re-opened on September 14, 2001. Air carrier activity at Washington Dulles was effected in a manner comparable with the total air transportation system. Total commercial enplanements for the 12 months of 2003 were 8,366,486 compared to 8,515,498 in 2002, a 1.7% decrease. International enplanements for the 12 months of 2003 were 1,994,840 compared to 2,017,724 in 2002, a 1.5% decrease. Average annual international enplanements at Washington Dulles from 1991 to 2000 were 1,538,149.

#### Enplanements and Operations Activity for 2001 to 2003

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Enplanements			
Washington Dulles Commercial Domestic	6,371,646	6,497,774	6,958,802
Washington Dulles International	1,994,840	2,017,724	1,961,394
National	7,102,415	6,448,970	6,563,151
Operations			
Washington Dulles	335,397	372,636	396,886
National	250,802	215,691	244,008

In comparing Reagan National and Washington Dulles to North American aviation industry, the Airports exceeded industry trends. In 2003, domestic traffic exceeded trends by 12.8% at Reagan National. In 2003, domestic traffic at Washington Dulles exceeded the trends by 0.8% in domestic passenger traffic and 0.3% in international passenger traffic.

Enplanements Growth	<u>MWAA</u>	<u>North America</u>	<u>Difference</u>
Washington Dulles Domestic	-1.9%	-2.7%	0.8%
Washington Dulles International	-1.5%	-1.8%	0.3%
National	10.1%	-2.7%	12.8%

By year-end 2003, daily air carrier departures increased to 340 from 291 departures in 2002 at Reagan National. At Washington Dulles, by year-end 2003, daily air carrier departures of 356 decreased from 395 in 2002. International departures decreased to 58 per day in 2003 from 59 per day in 2002.

The aviation industry has experienced three years of economic distress. To assist its tenants, the Authority reduced its charges to the airlines serving the Airports in 2003 and 2002 by allocating \$13 million and \$4.5 million respectively of its net revenue to offset expenses normally paid by the air carriers. Further, in 2001, the Authority received \$40 million from the federal government to compensate for the closure and subsequent reduced flight activity at Reagan National. The federal compensation was used by the Authority in 2002 and 2001 to replenish its unencumbered reserve, and at Reagan National, to replace lost revenues, compensate concessionaires for losses and supplement landing fees paid by those airlines that continued to operate. The application to replace revenues and offset expenses for purposes of the Agreement is through the annual airline settlement process (See Note K).

### *Financial Highlights*

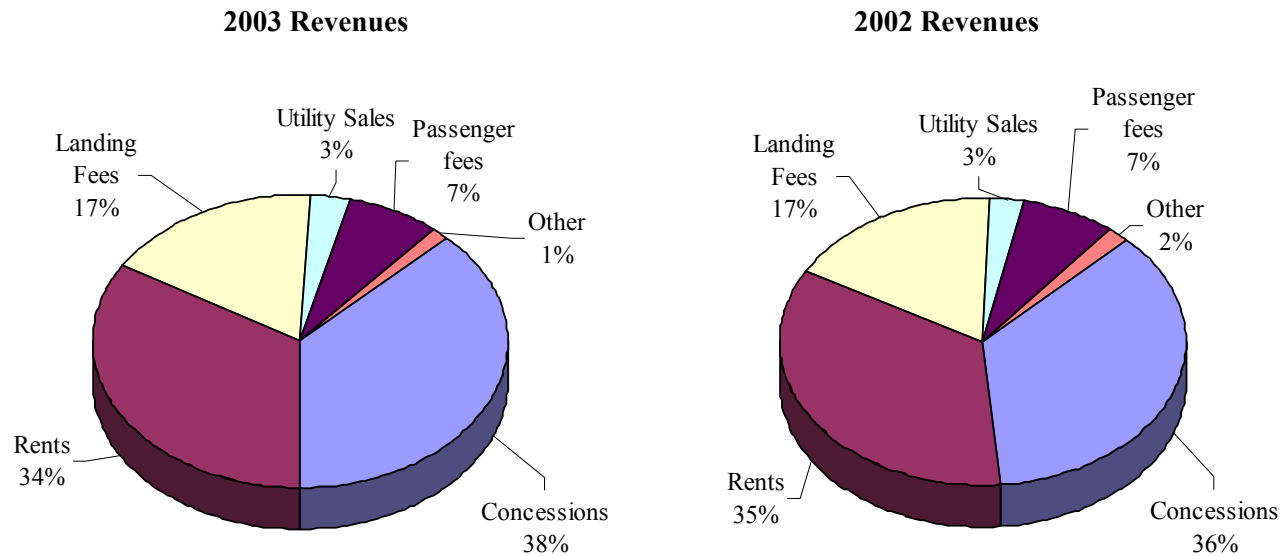
The financial results of 2003 continued to be shaped largely by the events of September 11, 2001 and resulting passenger and aviation activity changes described previously. The majority of the operating revenues at the Airports are directly related to the number of passengers and aircraft operations. Operating revenues of \$389.6 million are \$20.8 million greater than operating revenues of 2002, and reflect a turnaround in aviation activity at the Airports. The Authority has contractual agreements requiring the airlines to pay actual cost while the majority of concessionaires pay a percentage of revenue or a minimum annual guarantee payment.

In 2003, the Authority changed the presentation of concession management expenses to include them as a component of materials, equipment, supplies, contract services and other expenses rather than as a direct offset to concession revenue as had been previously shown. Operating Revenues—Concessions and Operating Expenses—materials, equipment, supplies, contract services and other expenses each increased by \$31,445,448 for 2002 and \$32,263,180 for 2001. There was no change in operating income, change in net assets or cash flows for either year.

The increase in landing fees in 2003 reflects the cost of snow removal for the record snow falls experienced in 2003, increased security-related costs and an increase in debt service related to airfield projects at Washington Dulles. Utility sales revenue increased as a result of higher gas and electric fees. Passenger fees in 2003 and 2002 now include fees paid by the Transportation Security Administration (TSA).

<u>Classifications</u>	<u>2003</u> <u>Revenue</u> <u>Amount</u>	<u>2002</u> <u>Revenue</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u> <u>from 2002</u>	<u>Percent of</u> <u>Increase</u> <u>(Decrease) from 2002</u>
Concessions	\$ 146,095,903	\$ 132,817,916	\$ 13,277,987	10.0 %
Rents	130,802,693	127,554,998	3,247,695	2.5 %
Landing fees	67,637,206	63,967,382	3,669,824	5.7 %
Utility sales	11,867,943	10,589,091	1,278,852	12.1 %
Passenger fees	27,878,919	27,521,305	357,614	1.3 %
Other	5,355,589	6,387,300	(1,031,711)	(16.2)%
Total	<u>\$ 389,638,253</u>	<u>\$ 368,837,992</u>	<u>\$ 20,800,261</u>	5.6 %

The following is a graphic illustration of operating revenues by source for the years ended December 31, 2003 and 2002:



In 2003, concession revenues increased 10.0% and as a percent of total revenues, increased to 37.5% from 36.0% in 2002. Automobile parking revenue and rental car revenue represents 72.8% of concession revenue and 27.3% of total revenues. A second structured parking garage was opened at Washington Dulles increasing the number of daily parking spaces to 8,325. Car parking rates were raised at Reagan National and Washington Dulles to manage the supply of parking spaces and to raise revenues. The following table details concession revenues by type.

Concession Revenues  
(in thousands)

	2003	2002	Increase (Decrease) from 2002	Percent of Increase (Decrease) from 2002
Parking	\$ 79,789.9	\$ 71,156.5	\$ 8,633.4	12.1%
Rental Cars	26,502.9	25,650.6	852.3	3.3%
Food and Beverage	6,938.0	6,240.1	697.9	11.2%
Newsstand and Retail	6,637.3	6,119.4	517.9	8.5%
Duty Free	2,016.9	1,732.4	284.5	16.4%
Display Advertising	6,342.4	5,432.2	910.2	16.8%
Inflight Caterers	5,205.7	6,228.1	(1,022.4)	(16.4%)
Fixed Base Operator	4,381.6	4,020.2	361.4	9.0%
All Other	8,281.2	6,238.4	2,042.8	32.7%
Total	<u>\$ 146,095.9</u>	<u>\$ 132,817.9</u>	<u>\$ 13,278.0</u>	10.0%

For the year ended December 31, 2002, the Authority's accounts receivable included \$4.5 million in pre- and post-petition debt from United Airlines (United) and \$1.3 million in pre-petition debt from US Airways. As of January 2004, all of the US Airways pre-petition debt was paid. On March 19, 2004, the U.S. Bankruptcy Court for the Northern District of Illinois, Eastern Division, approved UAL Corporation's assumption of leases and cure of all defaults at Reagan National and Washington Dulles. The court's order among other things (See Note U) approved payment of \$4,476,143 by United to the Authority to cure all defaults under these leases. The Authority has not established a reserve for the United pre-petition debt. United is current with its post-bankruptcy obligations. The Authority's expectation regarding United is influenced by the Authority's experience with other large airline bankruptcies. In the cases of Eastern Airlines, Pan American and most recently TWA, the airlines cured their defaults in order to assume and then transfer their leasehold assets to other carriers as part of their liquidation. Based upon its experience and its judgment of the posture of United, the Authority has concluded that reserves need not be established.

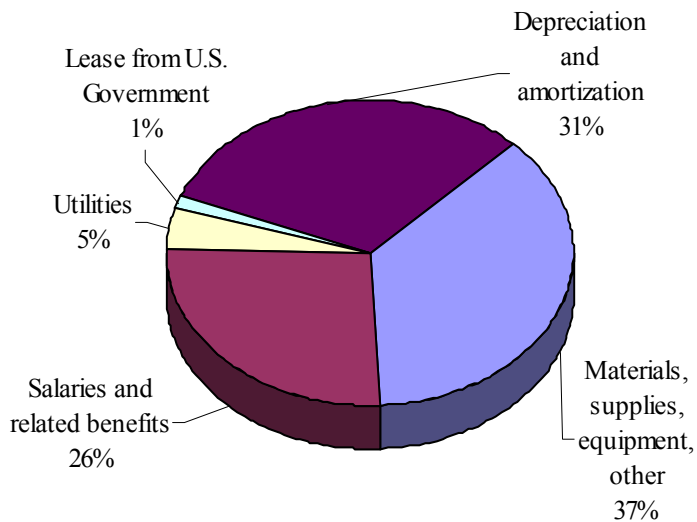
Operating expenses at both Airports, other than security related expenditures, were considerably reduced immediately following September 11, 2001 and through 2002 and 2003. A hiring freeze implemented in September 2001 continued through 2003. All operational expenses are carefully reviewed during the budget development and procurement processes. After September 11, 2001, Reagan National and Washington Dulles were required by the federal government to provide increased police presence. The Authority contracted in 2002 and 2003 with the Virginia State Police, Arlington County Police and Loudoun County Police to provide the supplemental police services. The third-party security service was ended in September 2003, after which the Authority's public safety personnel have provided the additional security. The cost for the contract police service in 2003 and 2002 was \$4,052,669 and \$5,994,538, respectively. The Authority incurred significant legal fees of \$1.4 million in 2003 associated with the defense of a protest by a bidder in the Automated People Mover (APM) contract award. The Authority's legal team successfully defended the protest and the APM contract has been awarded. The Authority expensed in 2003, \$2.7 million in design costs associated with the East Baggage Basement, Phase II project when it was determined that this project would not be constructed. The hardening insurance market resulted in quotes for insurance that were significantly higher than in prior years. The Authority responded to the increase in insurance cost by negotiating higher retention levels while increasing related insurance reserves. General liability, property insurance and workers compensation insurance costs in 2003, 2002 and 2001 were \$5.4 million, \$3.3 million and \$2.4 million, respectively. The claims paid directly by the Authority also increased over the past three years. Claims paid in 2003, 2002 and 2001 were \$2,589,088, \$2,167,113 and \$866,155, respectively. Salaries and related benefits increases for 2003 and 2002 are principally related to the increased security needs for additional public safety personnel and related overtime and overtime required for snow removal to keep the Airports operating during the record snowfalls of 2003. Utility costs increased because of higher utility rates. Depreciation expense increased 9.4% primarily from the capitalization of projects and the reclassification of some capital assets to shorter depreciation schedules.



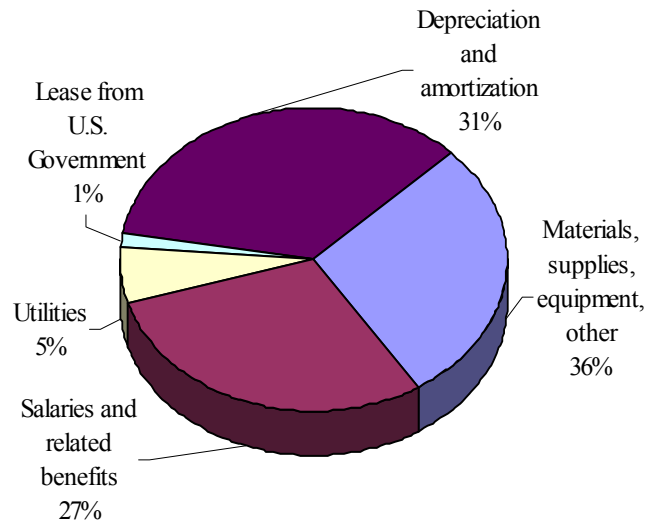
Expense Classification	2003	2002	Increase (Decrease) from 2002	Percent of Increase (Decrease) from 2002
Materials, supplies, equipment, contract services and other	\$ 134,105,363	\$ 123,970,251	\$10,135,112	8.18%
Salaries and related benefits	95,192,233	91,748,027	3,444,206	3.75%
Utilities	16,754,386	15,657,374	1,097,012	7.01%
Lease from United States Government	4,303,764	4,238,185	65,579	1.55%
Depreciation and amortization	114,950,487	105,035,788	9,914,699	9.40%
Total	<u>\$ 365,306,233</u>	<u>\$ 340,649,625</u>	<u>\$24,656,608</u>	7.24%

The following is a graphic illustration of the total operating expenses by source for the years ended December 31, 2003 and 2002:

2003 Expenses



2002 Expenses



### Changes in Net Assets

The fiscal year 2003 operating income for the Authority was \$24.3 million, a decrease of \$3.9 million when compared to the prior fiscal year. As noted earlier, the Authority's decision to waive certain concession rents and landing fees and offset expenses with the Authority's share of net revenues resulted in reduced operating income in 2003, 2002 and 2001. In 2003, non-operating revenues of \$11.5 million were \$4.9 million lower than in 2002, principally because of lower interest rates earned on the Authority's investment portfolio offset by a gain in the swap transaction. In 2001, the Authority received \$40 million from the federal government in compensation for lost revenues related to the closure and phased reopening of Reagan National. In 2002, the Authority received a federal payment of \$3.1 million as reimbursement for certain security related expenses incurred from September 11, 2001 through May 2002. Non-operating expenses of \$96.7 million decreased by \$29.8 million principally from the swap

transaction's positive performance. The swap transaction represents risk management activity taken in August 2001 to assure that the interest on the refunding of the Series 1992A Bonds would not exceed an interest cost of 5.0%. Generally accepted accounting principles (GAAP) require that the future value of the swap be reported at prevailing rates in the Authority's financial statements. The change in the market value of the swap in 2003 was an increase of \$5.6 million and in 2002, a loss of \$26.0 million.

Capital contributions include PFCs, federal and state grants and other capital property acquired. PFCs collected in 2003 in the amount of \$58.4 million were \$633,000 lower than in 2002. PFCs are imposed when an airline ticket is purchased and do not mirror the enplanement activity of an airport. Federal and state grants of \$14.4 million were \$200,000 less than 2002 grant revenues. PFCs, federal and state grants provide partial funding of certain capital construction projects.

The Authority recorded \$6.0 million in capital contributions in 2003 in recognition of a portion of a haul road and a portion of the museum access road built by the Smithsonian and the Virginia Department of Transportation during the construction of the Stephen F. Udvar-Hazy Center (Center). The title to these access ways vests with the Authority upon completion of the Center and acceptance by the Authority. The Authority is required to maintain these roadways and allow Smithsonian patrons and invitees access to and from the Center premises for the movement of aircraft and vehicles.

Change in net assets is an indicator of whether the overall fiscal condition of the Authority has improved or declined during the year. The change in net assets for the years ended December 31, 2003 and 2002 was an increase of \$17.9 million and a decrease of \$8.4 million, respectively. In 2002, without the loss on the market value of the swap, net assets would have increased \$17.7 million.

The following represents a summary of the Statements of Revenues, Expenses and Changes in Net Assets:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Operating Revenues			
Concessions	\$ 146,095,903	\$ 132,817,916	\$ 124,641,449
Rents	130,802,693	127,554,998	122,382,146
Landing fees	67,637,206	63,967,382	55,780,359
Utility sales	11,867,943	10,589,091	12,322,825
Passenger fees	27,878,919	27,521,305	24,445,948
Other	<u>5,355,589</u>	<u>6,387,300</u>	<u>7,242,324</u>
	389,638,253	368,837,992	346,815,051
Operating Expenses			
Material, equipment, supplies			
contract services and others	134,105,363	123,970,251	113,922,626
Salaries and related benefits	95,192,233	91,748,027	84,481,594
Utilities	16,754,386	15,657,374	17,568,654
Lease from U.S. Government	4,303,764	4,238,185	4,169,260
Depreciation and amortization	<u>114,950,487</u>	<u>105,035,788</u>	<u>99,325,739</u>
	365,306,233	340,649,625	319,467,873
Operating Income	24,332,020	28,188,367	27,347,178
Non-Operating Revenues			
Investment income	5,896,185	13,277,813	17,536,753
Federal compensation	-	3,064,970	40,000,000
Unrealized swap income	<u>5,572,334</u>	<u>-</u>	<u>-</u>
Total Non-Operating Revenues	11,468,519	16,342,783	57,536,753
Non-Operating Expense			
Interest expense	(96,747,842)	(100,285,317)	(97,670,195)
Federal compensation transfers	-	(279,370)	(1,651,663)
Unrealized swap income (loss)	<u>-</u>	<u>(26,024,249)</u>	<u>(1,566,958)</u>
Total Non-Operating Expenses	(96,747,842)	(126,588,936)	(100,888,816)
Capital Contributions	<u>78,861,263</u>	<u>73,684,812</u>	<u>64,290,210</u>
(Decrease) Increase in Net Assets	<u>\$ 17,913,960</u>	<u>\$ (8,372,974)</u>	<u>\$ 48,285,325</u>

*Statements of Net Assets*

The Statements of Net Assets present the financial position of the Authority at the end of the fiscal year. The Statements include all assets and liabilities of the Authority. Net assets is the difference between total assets and total liabilities and is an indicator of the current fiscal health of the Authority. A summarized comparison of the Authority's assets, liabilities and net assets on December 31, 2003, 2002 and 2001 is as follows:

Assets	2003	2002	2001
Current assets	\$ 449,659,857	\$ 449,320,863	\$ 304,895,604
Non-current assets			
Capital assets, net	2,744,063,040	2,553,672,786	2,350,172,546
Other non-current assets	234,145,211	191,793,059	182,669,302
Total Assets	<u>3,427,868,108</u>	<u>3,194,786,708</u>	<u>2,837,737,452</u>
Liabilities			
Current liabilities	158,404,817	160,109,417	153,306,969
Non-current liabilities			
Long-term debt outstanding and			
Other restricted	2,608,973,128	2,391,468,324	2,034,987,613
Other non-current liabilities, unrestricted	<u>5,541,839</u>	<u>6,174,603</u>	<u>4,035,532</u>
Total Liabilities	<u>2,772,919,784</u>	<u>2,557,752,344</u>	<u>2,192,330,114</u>
Net Assets			
Invested in capital assets, net of debt	428,497,669	418,037,820	418,474,478
Restricted	36,158,318	34,646,503	44,033,502
Unrestricted	<u>190,292,337</u>	<u>184,350,041</u>	<u>182,899,358</u>
Total Net Assets	<u>\$ 654,948,324</u>	<u>\$ 637,034,364</u>	<u>\$ 645,407,338</u>

In its sixteenth full year of operations, the Authority's financial position remained strong on December 31, 2003, with assets of \$3.43 billion and liabilities of \$2.77 billion. Current assets increased slightly by \$0.3 million from 2002. The Authority has maintained five months of its operating cash portfolio in securities that mature within six months since the events of September 11, 2001, to provide extra liquidity. The Authority has \$2.74 billion in capital assets (net of depreciation), an increase of \$190.4 million from 2002. Capital projects that were completed in 2003 include the second structured parking garage at Washington Dulles and the four-gate addition to Concourse B, also at Washington Dulles. The Authority's capital assets are principally built from the proceeds of revenue bonds, but also include property acquired through leases, the Authority net revenue, capital contributions from federal and state grants, and PFCs. Assets, other than capital assets which are stated at historical cost less an allowance for depreciation, and liabilities are measured using current value.

During 2003, the Authority conducted four bond transactions. In September 2003, \$185 million Series 2003A Revenue and Refunding Bonds, \$44.1 million Series 2003B Revenue and Refunding Bonds and \$52.6 million Series 2003C Revenue and Refunding Bonds were issued to provide for capital improvements at Washington Dulles and Reagan National and to refund a portion of the Series 1993A Bonds, the Series B Bond Anticipation Commercial Paper Notes and the Series 1993B Bonds. Also, in September 2003, \$150 million Series 2003D Airport Revenue Variable Rate Bonds were issued to provide for capital improvements at Washington Dulles and Reagan National. The Authority estimates the present value savings of the refundings to be \$6.1 million. During 2003, the Authority increased its borrowing on the PFC Notes by \$17.5 million to \$187.7 million. The Authority

continues to have \$100 million Series One CP Notes available for construction needs. As a result of these transactions, as well as principal payments of \$45.7 million, long-term debt outstanding increased by \$299.8 million and short-term CP Notes and PFC Notes outstanding of \$337.7 decreased by \$82.5 million. Current liabilities decreased by \$1.7 million, principally related to a \$13.0 million decrease in unrestricted and restricted accounts payable, offset by an increase of \$10.5 million in the current portion of bonds payable.

Net assets, which represent the residual interest in the Authority's assets after liabilities are deducted, were \$654.9 million on December 31, 2003, an increase of \$17.9 million from 2002 and \$9.5 million from 2001. The account "Invested in Capital Assets, Net of Debt," increased by \$10.5 million to \$428.5 million. Debt service reserve of \$144.7 million, maintained in accounts held by the Authority's Trustee, offset by the corresponding debt, is included in Restricted Net Assets.

The restricted and unrestricted remaining net assets are derived from the Authority's operations since the Authority's inception in 1987, as well as grant and PFC collections. The 2003 restricted net assets of \$36.2 million are subject to external restrictions on how they may be used under the Master Indenture and federal regulations. The remaining unrestricted assets of \$190.3 million, an increase of \$5.9 million from 2002, may be used to meet any of the Authority's ongoing operations, subject to approval of the Authority's Board.

#### *Cash and Investment Management*

The Authority's cash and cash equivalents increased to \$289.1 million for the year ended December 31, 2003, from \$192.9 million for the year ended December 31, 2002, as a result of a significant number of maturing investments at year-end. The funds were immediately invested in money market funds. Cash and cash equivalents with an original maturity of three months or less are considered highly liquid investments. Cash and cash equivalents, unrestricted, decreased by \$15.4 million while unrestricted investments increased by \$9 million. The decrease in unrestricted cash and cash equivalents corresponds with the decrease in accounts payable and accrued expenses.

The following summary shows the major sources and use of cash:

	2003	2002
Cash received from operations	\$ 354,418,565	\$ 332,077,426
Cash expended from operations	<u>(226,763,638)</u>	<u>(204,043,800)</u>
Net cash provided by operations	127,654,927	128,033,626
Net cash provided (used) in capital and related financing activities	(112,479,002)	20,569,266
Net cash provided (used) by investing activities	<u>81,053,185</u>	<u>(187,985,336)</u>
Net cash used by capital financing and investing activities	<u>(31,425,817)</u>	<u>(167,416,070)</u>
Net increase (decrease) in cash and cash equivalents	96,229,110	(39,382,444)
 Cash and cash equivalents, beginning of year	 192,857,774	 232,240,218
Cash and cash equivalents, end of year	<u>\$ 289,086,884</u>	<u>\$ 192,857,774</u>

Cash temporarily idle during 2003 was invested in demand deposits, certificates of deposit, commercial paper, United States Government and agency obligations, mutual funds, repurchase agreements collateralized by the United States Government or agency obligations, and other permitted investments as listed in the Master Indenture for the Authority's outstanding bonds. During 2003, the Authority's operating account average portfolio

balance was \$161.7 million and the average yield on investments was 1.50%. The capital funds are held by an agent for the Trustee but managed by the Authority. For 2003, the capital funds had an average portfolio balance of \$255.2 million and an average yield of 2.905%.

Certain Authority funds that will be used for bond requirements (See Note E) and capital projects are invested in long-term instruments. An annual cash flow projection for capital projects is developed for all bond proceeds and investments are matched to maximize investment income while ensuring cash is available for capital project expenses. All investments must be made following the investment policy that was adopted by the Authority's Board. An investment committee meets quarterly to review the portfolios for compliance with the investment policy (See Note B).

### *Capital Construction*

During 2003, the Authority expended \$282.9 million in its ongoing CCP compared to an original budget of \$329.4 million. During the year the record snowfalls combined with record rainfalls reduced the number of available construction days. The Authority capitalized \$220.2 million in projects in 2003, including a second structured parking garage and a four-gate addition to Concourse B at Washington Dulles. Projects at Washington Dulles, which began or continued in 2003, and were scheduled for completion in 2004, or beyond, include the security mezzanine and Main Terminal people mover station, and renovation of the final section of the original Main Terminal. Average monthly capital construction spending in 2003 was approximately \$23.6 million (See Note F).

### *Capital Financing and Debt Management*

The Authority's long-term uninsured bonds are rated "AA-" by Fitch, "Aa3" by Moody's, and "A+" by S&P. Following the events of September 11, 2001, Moody's placed the Authority's rating on "Watch List" effective September 18, 2001 and on February 15, 2002, removed the Authority from the "Watch List" and affirmed the Authority's "Aa3" rating with negative outlook. S&P placed the Authority's debt on "Credit Watch Negative" effective September 20, 2001 and downgraded the Authority to "A+" with "Stable Outlook," effective February 28, 2002. Fitch placed the Authority's debt on "Rating Watch Negative" effective October 5, 2001, and on May 15, 2002, confirmed the Authority's "AA-" rating with outlook "Stable." As of December 31, 2003, the Authority has \$2,370 million outstanding Airport System Revenue Bonds, \$150 million in outstanding Series A BANs and \$187.7 million in PFC notes (See Note J). Of the \$2,370 million in outstanding Senior Bonds, \$259.2 million is uninsured. The insured debt is rated "AAA" by S&P and Fitch, and "Aaa" by Moody's.

The Authority is financing its construction program through a combination of revenues, entitlement, and discretionary grants received from the FAA, state grants, PFCs, and revenue bonds. Long-term debt is the principal source of funding for the CCP. The Authority, through its Master Indenture, has agreed to maintain a debt service coverage of not less than 1.25. Debt service coverage is calculated based on a formula included in the Master Indenture and the Agreement with the airlines. Historically, the Authority has maintained a coverage ratio significantly higher than its requirement. During 2003 and 2002, respectively, the Authority's debt service coverage was 1.41 and 1.47. The decrease in coverage in 2003, is related to the debt service for the structured parking garages at Washington Dulles which opened in March 2002 and April 2003 (See Note J).

*Contacting the Authority's Financial Management*

The financial report is designed to provide the Authority's Board, management, investors, creditors and customers with a general view of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives and expends. For additional information about this report, or for additional financial information, please contact Lynn Hampton, Vice President and Chief Financial Officer, 1 Aviation Circle, Washington, DC, 20001-6000, or email [BondholdersInformation@mwaa.com](mailto:BondholdersInformation@mwaa.com).

**STATEMENTS OF NET ASSETS***As of December 31*

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Unrestricted Assets:		
Cash and cash equivalents	\$ 35,682,214	\$ 51,069,154
Investments	106,325,974	97,313,765
Accounts receivables, net	19,294,775	18,084,191
Inventory	1,890,063	1,961,744
Prepaid expenses and other current assets	<u>3,641,957</u>	<u>2,537,820</u>
Total Unrestricted Assets	166,834,983	170,966,674
Restricted Assets:		
Cash and cash equivalents, restricted	238,607,369	135,112,168
Passenger facility charges, cash, restricted	14,797,301	6,676,452
Passenger facility charges, receivables, restricted	8,588,515	8,476,074
Investments, restricted	<u>20,831,689</u>	<u>128,089,495</u>
Total Restricted Assets	282,824,874	278,354,189
Total Current Assets	449,659,857	449,320,863
<b>Non-Current Assets</b>		
Capital Assets:		
Land	49,066,610	49,679,736
Construction in progress	619,050,895	538,890,637
Buildings, systems and equipment	<u>2,894,632,093</u>	<u>2,671,901,652</u>
Less: Accumulated Depreciation	<u>(818,686,558)</u>	<u>(706,799,239)</u>
Capital Assets, Net	2,744,063,040	2,553,672,786
Long-term investments	50,511,329	48,696,006
Long-term investments, restricted	144,682,412	113,837,927
Other long-term assets	2,045,311	2,177,918
Net Pension Asset	2,115,285	1,717,426
Bond issuance costs, net	<u>34,790,874</u>	<u>25,363,782</u>
Total Non-Current Assets	<u>2,978,208,251</u>	<u>2,745,465,845</u>
<b>Total Assets</b>	<u>\$ 3,427,868,108</u>	<u>\$ 3,194,786,708</u>

The accompanying notes are an integral part of these financial statements.



## STATEMENTS OF NET ASSETS

	<u>2003</u>	<u>2002</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Payable from unrestricted:		
Accounts payable and accrued expenses	\$ 25,331,592	\$ 32,692,240
Operating lease obligations	<u>341,140</u>	<u>341,140</u>
Total unrestricted	25,672,732	33,033,380
Current liabilities payable from restricted assets:		
Accounts payable and accrued expenses	48,829,027	54,462,182
Accrued interest payable	27,798,058	26,958,855
Bonds payable	<u>56,105,000</u>	<u>45,655,000</u>
Total restricted	132,732,085	127,076,037
Total current liabilities	158,404,817	160,109,417
<b>Non-Current Liabilities</b>		
Payable from unrestricted:		
Other liabilities	5,541,839	6,174,603
Payable from restricted:		
Other Liabilities	209,550	-
PFC Bank participation notes	187,700,000	170,200,000
Commercial paper notes	150,000,000	250,000,000
Bonds payable, net	<u>2,271,063,578</u>	<u>1,971,268,324</u>
Total restricted	2,608,973,128	2,391,468,324
Total non-current liabilities	2,614,514,967	2,397,642,927
<b>Total Liabilities</b>	<u>2,772,919,784</u>	<u>2,557,752,344</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	428,497,669	418,037,820
Restricted	36,158,318	34,646,503
Unrestricted	<u>190,292,337</u>	<u>184,350,041</u>
<b>Total net assets</b>	<u>\$ 654,948,324</u>	<u>\$ 637,034,364</u>

The accompanying notes are an integral part of these financial statements.

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

	<b>Years Ended</b>	
	<b><u>December 31, 2003</u></b>	<b><u>December 31, 2002</u></b>
<b>OPERATING REVENUES</b>		
Concessions	\$ 146,095,903	\$ 132,817,916
Rents	130,802,693	127,554,998
Landing Fees	67,637,206	63,967,382
Utility sales	11,867,943	10,589,091
Passenger fees	27,878,919	27,521,305
Other	<u>5,355,589</u>	<u>6,387,300</u>
	389,638,253	368,837,992
<b>OPERATING EXPENSES</b>		
Materials, equipment, supplies, contract services, and other	134,105,363	123,970,251
Salaries and related benefits	95,192,233	91,748,027
Utilities	16,754,386	15,657,374
Lease from U. S. Government	4,303,764	4,238,185
Depreciation and amortization	<u>114,950,487</u>	<u>105,035,788</u>
	365,306,233	340,649,625
<b>OPERATING INCOME</b>	24,332,020	28,188,367
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Passenger facility charges, financing costs	(1,137,715)	(2,029,218)
Investment income	5,896,185	13,277,813
Interest expense	(95,610,127)	(98,256,099)
Federal compensation	-	3,064,970
Federal compensation transfers	-	(279,370)
Unrealized swap income (loss)	<u>5,572,334</u>	<u>(26,024,249)</u>
	(85,279,323)	(110,246,153)
<b>LOSS BEFORE CAPITAL CONTRIBUTIONS</b>	(60,947,303)	(82,057,786)
<b>CAPITAL CONTRIBUTIONS</b>		
Passenger facility charges	58,438,038	59,071,341
Federal and State grants	14,378,325	14,613,471
Other capital property contributed	<u>6,044,900</u>	<u>-</u>
	78,861,263	73,684,812
<b>NET ASSETS</b>		
Increase in net assets	17,913,960	(8,372,974)
<b>Total net assets, beginning of year</b>	<u>637,034,364</u>	<u>645,407,338</u>
<b>Total net assets, end of year</b>	<u><u>\$ 654,948,324</u></u>	<u><u>\$ 637,034,364</u></u>

The accompanying notes are an integral part of these financial statements.

**STATEMENTS OF CASH FLOWS** *(continued)*

	<b>Years Ended</b>	
	<b><u>December 31, 2003</u></b>	<b><u>December 31, 2002</u></b>
<b>NET CASH FROM OPERATING ACTIVITIES:</b>		
Operating cash receipts from customers	\$ 354,418,565	\$ 332,077,426
Cash payments to suppliers for goods and services	(131,384,806)	(115,256,436)
Cash payments to employees for services	<u>(95,378,832)</u>	<u>(88,787,364)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	127,654,927	128,033,626
<b>NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from issuance of bonds	430,857,024	619,600,469
Payments (Proceeds) net from the issuance of commercial paper	(100,000,000)	44,000,000
Principal payments on bonds	(122,945,000)	(297,915,000)
Payments for capital expenditures and construction		
In progress	(280,713,825)	(299,712,830)
Proceeds from sale of fixed assets	110,119	2,763,440
Payments of bond issuance costs	(13,229,911)	(9,940,732)
Interest paid on bonds	(113,504,071)	(108,852,508)
Rebate to Treasury	(1,112,613)	(346,481)
Government grants in aid of construction	14,223,836	17,672,008
Passenger facility charge receipts	58,481,505	56,487,797
Passenger facility charge borrowing from line of credit	17,500,000	
Passenger facility charge expenses and other	(2,146,066)	(3,186,897)
<b>NET CASH PROVIDED OR (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(112,479,002)</u>	<u>20,569,266</u>
<b>NET CASH FROM INVESTING ACTIVITIES:</b>		
Interest received on investments	7,450,115	10,538,151
(Increase) Decrease in short term investments, net	103,571,093	(171,258,963)
Proceeds from long-term investment maturities	116,609,214	230,383,212
Purchase of long-term investments	<u>(146,577,237)</u>	<u>(257,647,736)</u>
<b>NET CASH PROVIDED OR (USED) BY INVESTING ACTIVITIES</b>	<u>81,053,185</u>	<u>(187,985,336)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	96,229,110	(39,382,444)
<b>CASH AND CASH EQUIVALENTS, Beginning of Period</b>	192,857,774	232,240,218
<b>CASH AND CASH EQUIVALENTS, End of Period</b>	<u><u>\$ 289,086,884</u></u>	<u><u>\$ 192,857,774</u></u>

The accompanying notes are an integral part of these financial statements.

## STATEMENTS OF CASH FLOWS

	Years Ended	
	December 31, 2003	December 31, 2002
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 24,332,020	\$ 28,188,367
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	114,950,487	105,035,788
(Decrease) Increase in allowance for doubtful accounts	(336,330)	295,133
(Gain) Loss on sale of assets	(78,388)	204,069
Decrease (Increase) in accounts receivable	(1,921,742)	(5,386,814)
Decrease (Increase) in inventory	71,681	(213,636)
Decrease (Increase) in prepaid expenses and other current assets	(1,104,137)	(781,476)
Decrease (Increase) in other long-term assets	(265,252)	(231,613)
Increase (Decrease) in long-term liabilities	(632,764)	2,139,071
(Decrease) Increase in accounts payable and accrued expenses	<u>(7,360,648)</u>	<u>(1,215,263)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 127,654,927</u></b>	<b><u>\$ 128,033,626</u></b>
Noncash and related financing transactions		
Unrealized Gain (Loss)	<u>2,691,787</u>	<u>(22,592,638)</u>
Total noncash and related financing transactions	<b><u>\$ 2,691,787</u></b>	<b><u>\$ (22,592,638)</u></b>

The accompanying notes are an integral part of these financial statements.

**NOTES TO FINANCIAL STATEMENTS****A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***Reporting Entity*

The Metropolitan Washington Airports Authority (the Authority) is an independent interstate agency created by the Commonwealth of Virginia and the District of Columbia with the consent of the United States Congress. The Commonwealth of Virginia and the District of Columbia enacted essentially identical legislation creating the Authority for the purpose of operating Ronald Reagan Washington National (Reagan National) and Washington Dulles International Airport (Washington Dulles)— collectively the Airports. The Authority is governed by a Board of Directors (Board) with members from the Commonwealth of Virginia, the District of Columbia, the State of Maryland, and three members appointed by the President of the United States.

On June 7, 1987, Reagan National's and Washington Dulles' properties were transferred to the Authority under a long-term lease authorized by the Metropolitan Washington Airports Act of 1986, Title VI of Public Law 99-500 (See Note M). All personal property was transferred to the Authority without condition. Prior to the transfer, the Airports were operated by the Federal Aviation Administration (FAA) of the United States Department of Transportation.

Only the accounts of the Authority are included in the reporting entity. There are no U.S. government agency finances that should be considered for inclusion in the Authority's financial reporting entity.

*Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis. The Authority reports as a Business Type Activity, as defined by the Governmental Accounting Standards Board (GASB). Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The Authority's activities are accounted for similar to those often found in the private sector using the flow of an economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net assets, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred. Current assets include cash and amounts convertible to cash during the next normal operating cycle, or one year. Current liabilities include those obligations to be liquidated with current assets.

Revenues from airlines, concessions, rental cars and parking are reported as operating revenues. Capital, grants, financing or investing related transactions are reported as non-operating revenues. All expenses related to operating the Authority are reported as operating expenses. Interest expense and financing costs are reported as non-operating.

*Net Assets*

Net assets represent the residual interest in the Authority's assets after liabilities are deducted and consists of three sections: Invested in capital assets, net of related debt; Restricted; and Unrestricted. Net assets invested in capital assets, net of related debt includes capital assets, restricted and unrestricted, net of accumulated depreciation, reduced by outstanding debt attributable to acquisition. Net assets are reported as restricted when constraints are imposed by third parties or enabling legislation. The Authority's restricted assets are expendable. All other net assets are unrestricted.

*Proprietary Accounting and Financial Reporting*

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority follows all GASB pronouncements issued on, before, or after November 30, 1989, as well as all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principal Board Opinions and Accounting Research Bulletins issued on, before, or after November 30, 1989, unless they contradict GASB guidance.

*Budgeting Requirements*

The Authority's annual budgeting process is a financial planning tool used to establish the estimated revenues and expenditures for both Airports. The annual budget is developed after reviewing revenue forecasts, the impact of funding increases on landing fees, rental rates, and other rates and charges, prior year actuals, current program levels, new operating requirements, and the overall economic climate of the region and airline industry. The budget to actual results is reviewed periodically throughout the year to ensure compliance with the provisions of the Authority's entity-wide annual operating budget, which is approved by the Board.

The President and Chief Executive Officer has the authority to approve changes to the budget within all categories as long as the net changes do not result in an increase in overall budgeted expenditures. In keeping with the requirements of a proprietary fund, budget comparisons have not been included in the financial section of this report.

*Revenue Recognition*

Rentals and concession fees are generated from airlines, parking structures and lots, food, rental cars, fixed base operators, and other commercial tenants. Leases with the airlines are based on full cost recovery, through rates and charges as described below. Other leases are for terms from one to 15 years and generally require rentals based on the volume of business, with specified minimum rentals. Rental revenue is recognized over the life of the respective leases, and concession revenue is recognized partially based on reported concession revenue and partially based on minimum rental guarantee. Rental revenue and concession revenue are recognized as operating revenues on the Statements of Revenues, Expenses and Changes in Net Assets.

Landing fees are principally generated from scheduled airlines and non-scheduled commercial aviation and are based on the landed weight of aircraft. The scheduled airline fee structure is determined annually based on full cost recovery pursuant to an agreement between the Authority and the Signatory Airlines. Landing fees are recognized as part of operating revenues when airline related facilities are utilized.

Several airlines represent concentrations of revenues for the Authority. At Reagan National, US Airways, Delta Air Lines, and American Airlines comprise approximately 59.2% of annual airline revenues. At Washington Dulles, United, Delta Air Lines and Atlantic Coast Airlines comprise approximately 52.8% of annual airline revenues. These airlines combined represent approximately 55% of the total annual airline revenues for the Authority. Actual airline revenues for 2003 represent approximately 54% of the Authority's total revenues.

#### *Cash and Cash Equivalents*

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, demand deposits, certificates of deposit, commercial paper, United States Government and agency obligations, mutual funds, and repurchase agreements collateralized by United States Government or agency obligations with an original maturity of three months or less, including restricted assets.

#### *Investments*

Investments with an original maturity greater than one year are recorded at their fair value with all investment income, including changes in the fair value of investments, reported as investment income in the financial statements. Investments with an original maturity of less than one year are carried at amortized cost which approximates fair value.

Investments consist of certificates of deposit, commercial paper, United States Government and agency obligations, interest rate swaps, and repurchase agreements collateralized by United States Government or agency obligations, with an original maturity greater than three months.

#### *Inventory*

Inventory consists of spare parts and is stated at the lower of cost or market value, using the first-in, first-out method.

#### *Capital Assets*

Personal property, the ownership of which was transferred from the United States Government to the Authority on June 7, 1987, is recorded at fair value at the date of transfer. Assets acquired subsequent to the transfer are stated at historical cost and include the expense of Federal grants to construct and improve the facilities of the Authority. The costs for property and facilities include net interest expense incurred from the date of issuance of the debt to finance construction until the completion of the capital project (See Notes F and J). Tenants have funded construction and improvements of airport facilities from their own working capital. Under agreements with the Authority, the property reverts to the Authority upon termination or expiration of the Agreement. Terms range from 15 to 40 years. These assets obtained by the Authority are

recorded at fair market value as of date of transfer. Major improvements and replacements of property are capitalized. Maintenance, repairs, and minor improvements and replacements are expensed as incurred.

Provision for depreciation has been calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and corresponding capitalization thresholds are as follows:

		<u>Threshold</u>
Equipment	5-7 years	\$10,000
Motor Vehicles	3-5 years	10,000
Buildings	20-40 years	25,000
Systems and Structures	10-40 years	25,000

#### *Bond Issuance Costs*

Bond issuance costs represent expenses incurred in the process of issuing bonds and are amortized over the life of the related bond issue, using the interest method.

#### *Compensated Absences*

The Authority employees are granted vacation at rates of 13 to 30 days per year, depending on their length of employment, and may accumulate up to a maximum of 30 days. Upon termination, employees are paid for any unused accumulated vacation. Sick leave accumulates at the rate of 13 days per year. Unused sick leave for employees who transferred from the Federal Government is counted at retirement as additional time worked for calculation of pension benefit. Unused sick leave for all other employees is forfeited at time of termination of employment regardless of the reason. Compensated absences are accrued when earned and reflected in accrued expenses.

#### *Arbitrage - Rebate Liability*

The United States Treasury has issued regulations on calculating the rebate due to the United States Government on arbitrage profits and determining compliance with the arbitrage rebate provisions of the Tax Reform Act of 1986. Arbitrage profits arise when the Authority temporarily invests the proceeds of tax exempt debt in securities with higher yields. The Authority estimated a liability on December 31, 2003 and 2002, of approximately \$209,550 and \$1,506,464, respectively.

#### *Capital Contributions - Passenger Facility Charges (PFCs)*

In 1990, Congress approved the Aviation Safety and Capacity Expansion Act which authorized domestic airports to impose a PFC on enplaning passengers. In May 1991, the FAA issued the regulations for the use and reporting of PFCs. PFCs may be used for airport projects that meet at least one of the following criteria: preserve or enhance safety, security, or capacity of the national air transportation system; reduce noise or mitigate noise impacts resulting from an airport; or furnish opportunities for enhanced competition between or among carriers.



The Authority was granted permission to begin collecting a \$3.00 PFC effective November 1, 1993, at Reagan National and January 1, 1994, at Washington Dulles. The charges, less an administrative fee charged by the airlines for processing, are collected by the airlines and remitted on a monthly basis to the Authority. Due to their restricted use, PFCs are categorized as non-operating revenues and are accounted for on the accrual basis. The Authority applied for and received approval in February 2001, to increase the PFC collection from \$3.00 to \$4.50, effective May 2001.

#### *Capital Contributions - Federal and State Grants*

The Authority receives federal and state grants in support of its Capital Construction Program (CCP). The federal program provides funding for airport development, airport planning and noise compatibility programs from the Airport and Airways Trust Fund in the form of both entitlement and discretionary grants for eligible projects. The Commonwealth of Virginia also provides discretionary funds for capital programs.

Grants for capital asset acquisition, facility development, rehabilitation of facilities and long-term planning are reported in the Statements of Revenues, Expenses and Changes in Net Assets, after non-operating revenues and expenses as capital contributions.

#### *Management Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management, where necessary, to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **B. DEPOSITS AND INVESTMENTS**

### *Cash*

In accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, the Authority classifies its deposits as to the credit risk by the following three categories: Category 1 includes insured or collateralized cash with securities held by the Authority or its agent in the Authority's name; Category 2 includes collateralized cash with securities held by the pledging financial institutions' trust department or agent in the Authority's name; and Category 3 includes uncollateralized cash, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent, but not in the Authority's name. The table below presents the Authority's deposit risk classifications in accordance with GASB Statement No. 3:

	December 31,	
	2003	2002
Deposits		
Carrying Amount	\$ 22,959,678	\$ 2,130,603
Bank Balance	929,045	2,929,183
FDIC Insured or collateralized (Category 1)	910,045	2,913,183
Uncollateralized or uninsured (Category 3)	19,000	16,000
Certificates of Deposit/Investments		
Carrying Amount	\$ 5,100,000	\$ 3,119,148
FDIC Insured or collateralized (Category 1)	400,000	400,000
Uncollateralized or uninsured (Category 3)	4,700,000	2,719,148

To assure the safety of demand deposits not covered by FDIC insurance, the Authority utilizes the LACE (Liquidity, Asset Quality, Capital and Earnings) Financial Institutions Rating Service to determine the stability of the financial institutions.

### *Investments*

The primary objectives of the Authority's investment policy are the safety of capital, the liquidity of the portfolio and the yield of investments. Bond proceeds (See Note E) may be invested in securities as permitted in the bond indentures, otherwise, assets of the Authority may be invested in United States Treasury securities; short-term obligations of the United States Government agencies; short term obligations of the Commonwealth of Virginia, the State of Maryland, and the District of Columbia; certificates of deposit with banks that have a LACE rating of "B" or better, or that are fully insured or collateralized; prime commercial paper rated A1 and P1 by S&P and Moody's, respectively; prime bankers' acceptance notes; repurchase agreements whose underlying collateral consists of the foregoing; money market or mutual funds whose underlying collateral consists of the foregoing; or other such securities or obligations that may be approved by the Finance Committee by modification of the Authority's policy.

In accordance with GASB Statement No. 3, the Authority classifies its investments as to the credit risk by the following three categories: Category 1 includes insured or registered investments, or securities held by the Authority or its agent in the Authority's name; Category 2 includes uninsured and unregistered investments, with securities held by the counter party's trust department or agent in the Authority's name; and Category 3 includes uninsured and unregistered investments, with securities held by the counterpart, or by its trust department or agent, but not in the Authority's name.

The tables below present the Authority's investment risk classifications in accordance with GASB Statement No. 3:

December 31, 2003					
	Category			Cost	Carrying Value
	1	2	3		
Repurchase Agreements	\$ 19,383,786	\$ -	\$ -	\$ 19,383,786	\$ 19,383,786
United States Government and agency obligations	291,015,232	-	-	291,015,232	288,929,750
Guaranteed Investment Contracts	12,014,825	-	-	12,014,825	12,014,825
Commercial Paper	9,970,007	-	-	9,970,007	9,989,725
	<u>\$ 332,383,850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>332,383,850</u>	<u>330,318,086</u>
Money market funds (invested in United States Government and agency obligations)				253,060,524	253,060,524
Certificate of Deposit				<u>5,100,000</u>	<u>5,100,000</u>
				<u>\$ 590,544,374</u>	<u>\$ 588,478,610</u>

December 31, 2002					
	Category			Cost	Carrying Value
	1	2	3		
Repurchase Agreements	\$ 12,740,740	\$ -	\$ -	\$ 12,740,740	\$ 12,740,740
United States Government and agency obligations	374,478,923	-	-	374,478,923	377,510,206
Commercial Paper	22,364,491	-	-	22,364,491	22,471,444
	<u>\$ 409,584,154</u>	<u>\$ -</u>	<u>\$ -</u>	<u>409,584,154</u>	<u>412,722,390</u>
Money market funds (invested in United States Government and agency obligations)				162,822,826	162,822,826
Certificate of Deposit				<u>3,119,148</u>	<u>3,119,148</u>
				<u>\$ 575,526,128</u>	<u>\$ 578,664,364</u>

The fair value of the collateral for these Repurchase Agreements was \$20,165,935 and \$12,960,277 on December 31, 2003 and 2002, respectively. The collateral for the Repurchase Agreements was held by the Authority's agent in the Authority's name.

During 1998, the Authority implemented GASB Statement No. 31, *Accounting and Reporting For Certain Investments and For External Investments Pools*. In accordance with the provisions of this pronouncement, investments with an original maturity greater than one year are recorded at their fair value with all investment income, including changes in the fair value of investments, reported as investment income in the financial statements. As permitted by GASB Statement No. 31, investments with an original maturity of less than one year are carried at amortized cost. Fair values are determined through quoted market prices.

The tables below present the Authority's investments in accordance with GASB Statement No. 31:

	December 31, 2003	
	Cost	Carrying Value
Securities with original maturity 1 year and over	\$ 185,414,825	\$ 187,553,835
Securities with original maturity less than 1 year	<u>143,383,786</u>	<u>142,764,251</u>
	<u>\$ 328,798,611</u>	<u>\$ 330,318,086</u>
	December 31, 2002	
	Cost	Carrying Value
Securities with original maturity 1 year and over	\$ 181,650,000	\$ 188,829,984
Securities with original maturity less than 1 year	<u>224,291,740</u>	<u>223,892,406</u>
	<u>\$ 405,941,740</u>	<u>\$ 412,722,390</u>
Change in carrying value from December 2002 to December 2003		
Carrying value at December 31, 2003		\$ 330,318,086
Add: Proceeds from investments sold in 2003		1,181,826,350
Less: Cost of investments purchased in 2003		(1,102,254,693)
Less: Carrying value at December 31, 2002		<u>(412,722,390)</u>
Change in carrying value of investments		<u>\$ (2,832,647)</u>
Change in carrying value from December 2001 to December 2002		
Carrying value at December 31, 2002		\$ 412,722,390
Add: Proceeds from investments sold in 2002		1,349,040,245
Less: Cost of investments purchased in 2002		(1,556,292,768)
Less: Carrying value at December 31, 2001		<u>(202,038,256)</u>
Change in carrying value of investments		<u>\$ 3,431,611</u>

#### *Reconciliation to Comparative Statements of Net Assets*

A reconciliation of the amounts reported above to the comparative statements of net assets is as follows:

	December 31,	
	2003	2002
Deposits	\$ 22,959,678	\$ 2,130,603
Investments	<u>588,478,610</u>	<u>578,664,364</u>
	<u>\$ 611,438,288</u>	<u>\$ 580,794,967</u>
Cash and cash equivalents	\$ 35,682,214	\$ 51,069,154
Cash and cash equivalents, restricted	238,607,369	135,112,168
Passenger facility charges, cash, restricted	14,797,301	6,676,452
Investments	106,325,974	97,313,765
Investments, restricted	20,831,689	128,089,495
Long-term investments	50,511,329	48,696,006
Long-term investments, restricted	<u>144,682,412</u>	<u>113,837,927</u>
	<u>\$ 611,438,288</u>	<u>\$ 580,794,967</u>

**C. INTEREST RATE SWAP**

During the year ended December 31, 2001, the Authority entered into two forward starting interest rate swap agreements (the Swaps) to modify interest rates on future outstanding debt. In 2002, the Swaps were used to hedge \$241.8 million of the Series 2002C Bonds. Based on the swap agreement, the Authority owes interest calculated at a fixed rate of 4.45% and 4.46% to the counter parties to the Swap, Lehman Brothers and Merrill Lynch. In return, the counter parties owe the Authority interest based on a variable rate equal to 72% of LIBOR (London International Bank Offered Rate). Only the net difference in interest payments is actually exchanged with the counter parties. The Authority continues to pay interest to the bondholders at the variable rate provided by the Bonds, and during the term of the swap agreement, the Authority pays the difference between the fixed rate on the swap and 72% of LIBOR.

In connection with the Swaps, the Authority implemented Financial Accounting Standard No. 133, *Accounting for Derivative Instruments and Hedging Activities* (FAS 133), on January 1, 2001.

The Swaps are recognized on the Statements of Net Assets in investments at fair value. Changes in the fair value of the Swaps are recorded as unrealized gains or losses on the Statements of Revenues, Expenses and Changes in Net Assets. As of December 31, 2003, the fair value of the Swaps was an unrealized loss of \$22,018,870. An unrealized gain of \$5,572,334 was recognized for the year ended December 31, 2003, an unrealized loss of \$26,024,249 was recognized for the year ended December 31, 2002, and an unrealized loss of \$1,566,958 was recognized for the year ended December 31, 2001. In addition, net interest expenditures, which began in October 2002, are recorded in the financial statements.

**D. ACCOUNTS RECEIVABLE**

Trade accounts receivable consists of the following:

	December 31,	
	2003	2002
Trade accounts receivable	\$ 20,665,348	\$ 19,791,094
Less: allowance for doubtful accounts	(1,370,573)	(1,706,903)
	<u>\$ 19,294,775</u>	<u>\$ 18,084,191</u>

For the year ended December 31, 2003, the Authority's accounts receivable included \$4.5 million in pre- and post-petition debt from United. On March 19, 2004, the U.S. Bankruptcy Court for the Northern District of Illinois, Eastern Division, approved UAL Corporation's assumption of leases and cure of all defaults at Reagan National and Washington Dulles. The court's order among other things (See Note U) approved payment of \$4,476,143 by United to the Authority to cure all defaults under these leases. The Authority has not established a reserve for the United Pre-petition debt. United is current on its post bankruptcy obligations.

The Authority's accounts receivables are 89 percent trade receivables due from concessionaires and airlines. The remaining 11 percent are notes receivables; 4 percent due from an insurance company on a large claim, payment received in 2004, and 2 percent from an airline in payment for some studies done for a new commuter concourse.

**E. RESTRICTED ASSETS**

The Master Indenture securing the Revenue Bonds of the Authority, requires segregation of certain assets into restricted accounts. The Authority has also included PFC assets in restricted assets. Restricted assets consist of the following:

	December 31,	
	2003	2002
Construction	\$ 210,736,302	\$ 184,438,008
Debt service reserve accounts	144,682,412	113,837,927
Interest accounts	26,802,915	25,874,284
Sinking fund accounts	21,899,841	18,880,654
Passenger facility charge accounts	14,797,301	40,685,169
Passenger facility charges and grant receivables	8,588,515	8,476,074
	<u>\$ 427,507,286</u>	<u>\$ 392,192,116</u>

The construction accounts include the funds available for the design and construction of capital improvements for the Airports. The debt service reserve accounts contain the maximum amount of required principal payments for the bonds scheduled to come due in one year. The debt service reserve accounts are revalued each year on September 30. Any amounts in excess of the debt service requirements are transferred to the applicable construction fund or taken into the revenue funds of the Authority if the construction funds have been expended. If the debt service reserve is undervalued, the Authority transfers funds into the accounts. The debt service funds were over funded by approximately \$755,000 and \$4,233,000, as of December 31, 2003 and December 31, 2002, respectively. The interest account contains the interest amounts required for the semi-annual interest payments. The sinking fund accounts represent the principal for the annual October bond payments. The PFC and grant receivables represent amounts collectable at the years ended December 31, 2003 and 2002.

**F. CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the years ending December 31, 2003 and 2002 are as follows:

	Beginning Balance <u>January 1, 2003</u>	Transfers and Additions	Transfers and Deletions	Ending Balance <u>December 31, 2003</u>
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 538,890,637	\$ 303,484,023	\$ (223,323,765)	\$ 619,050,895
Land	<u>49,679,736</u>	<u>0</u>	<u>(613,126)</u>	<u>49,066,610</u>
Total Capital Asset Not Being Depreciated	<u>588,570,373</u>	<u>303,484,023</u>	<u>(223,936,891)</u>	<u>668,117,505</u>
Other Capital Assets				
Equipment	42,017,646	1,607,862	(396,510)	43,228,998
Motor Vehicles	73,930,199	2,955,771	(153,277)	76,732,693
Buildings	1,677,275,466	149,749,986	0	1,827,025,452
Systems and Structures	<u>878,678,341</u>	<u>70,327,529</u>	<u>(1,360,920)</u>	<u>947,644,950</u>
Total Other Capital Assets	<u>2,671,901,652</u>	<u>224,641,148</u>	<u>(1,910,707)</u>	<u>2,894,632,093</u>
Less accumulated depreciation:				
A/D Equipment	29,748,443	4,291,911	(393,268)	33,647,086
A/D Motor Vehicles	56,288,840	6,115,344	(124,787)	62,279,397
A/D Buildings	287,420,528	53,703,960	0	341,124,488
A/D Systems & Structures	<u>333,341,428</u>	<u>48,917,776</u>	<u>(623,617)</u>	<u>381,635,587</u>
Total Accumulated Depreciation	<u>706,799,239</u>	<u>113,028,991</u>	<u>(1,141,672)</u>	<u>818,686,558</u>
Other Capital Assets, Net	<u>1,965,102,413</u>	<u>111,612,157</u>	<u>(769,035)</u>	<u>2,075,945,535</u>
Totals	<u>\$ 2,553,672,786</u>	<u>\$ 415,096,180</u>	<u>\$ (224,705,926)</u>	<u>\$ 2,744,063,040</u>

	Beginning Balance <u>January 1, 2002</u>	Transfers and Additions	Transfers and Deletions	Ending Balance <u>December 31, 2002</u>
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 459,360,644	\$ 306,572,651	\$ (227,042,658)	\$ 538,890,637
Land	<u>41,330,557</u>	<u>10,489,780</u>	<u>(2,140,601)</u>	<u>49,679,736</u>
Total Capital Asset Not Being Depreciated	<u>500,691,201</u>	<u>317,062,431</u>	<u>(229,183,259)</u>	<u>588,570,373</u>
Other Capital Assets				
Equipment	45,011,924	1,804,064	(4,798,342)	42,017,646
Motor Vehicles	74,165,950	1,809,122	(2,044,873)	73,930,199
Buildings	1,524,867,194	152,487,370	(79,098)	1,677,275,466
Systems and Structures	<u>813,892,692</u>	<u>64,785,649</u>	<u>0</u>	<u>878,678,341</u>
Total Other Capital Assets	<u>2,457,937,760</u>	<u>220,886,205</u>	<u>(6,922,313)</u>	<u>2,671,901,652</u>
Less accumulated depreciation:				
A/D Equipment	28,138,426	4,414,200	(2,804,183)	29,748,443
A/D Motor Vehicles	52,189,330	5,461,979	(1,362,469)	56,288,840
A/D Buildings	239,285,927	48,177,007	(42,406)	287,420,528
A/D Systems & Structures	<u>288,842,732</u>	<u>44,498,696</u>	<u>0</u>	<u>333,341,428</u>
Total Accumulated Depreciation	<u>608,456,415</u>	<u>102,551,882</u>	<u>(4,209,058)</u>	<u>706,799,239</u>
Other Capital Assets, Net	<u>1,849,481,345</u>	<u>118,334,323</u>	<u>(2,713,255)</u>	<u>1,965,102,413</u>
Totals	<u>\$ 2,350,172,546</u>	<u>\$ 435,396,754</u>	<u>\$ (231,896,514)</u>	<u>\$ 2,553,672,786</u>

For the year ended December 31, 2003, interest costs of \$11,544,327 less interest earned of \$5,888,938 were capitalized as part of the cost of construction in progress. For the year ended December 31, 2002 interest costs of \$3,018,654 less interest earned of \$3,235,183 were capitalized as part of the cost of construction in progress. Depreciation and amortization expense for the years ended December 31, 2003 and 2002 was \$114,950,487 and \$105,035,788, respectively, which includes amortization associated with bond issuance costs of \$2,545,112 and \$2,862,896, respectively.

The Authority's construction in progress account includes approximately \$63.1 million in costs expended on design work for projects that are currently in a deferred status. In 2000, as part of its CCP, the Authority approved an expansion of the CCP for Washington Dulles, referred to as the *d*<sup>2</sup> Program. The *d*<sup>2</sup> Program, and certain other CCP projects at Reagan National and Washington Dulles, was expected to be completed between 2001 and 2006 and to total \$4.2 billion in inflated dollars.

In the aftermath of September 11, 2001, and in the face of the deteriorating financial condition of many airlines, the Authority reexamined plans for the CCP in the spring of 2002, and the current estimated cost for the 2001-2011 CCP in inflated dollars is \$3.1 billion. The Authority continues to assess the CCP on an ongoing basis. As a result, the Authority delayed the start dates of several projects, deferred some projects until it determines that demand and circumstances warrant reactivation of each project and added three new projects to the CCP. The major projects deferred as a result of the events of September 11, 2001, relate primarily to the planned Tier 2 Concourse and associated facilities and the 12-gate addition to Concourse B. The designs for the deferred projects have been reviewed by the Authority's management and are of such nature that they are still currently applicable and will be of use for the deferred projects when they commence



construction. These design plans and costs will be evaluated on a periodic basis and should it be determined that the projects will not go forward or the designs are no longer usable, the associated costs will be written off.

#### **G. ACCOUNTS PAYABLE**

The accounts payable and accrued expenses balance is 66 percent payable from restricted funds and 34 percent payable from the general operating fund. The restricted fund payables are primarily trade accounts payable related to the Authority's ongoing construction program. Building construction costs payable are \$48.8 million as of December 31, 2003. The unrestricted accounts payables and accrued expenses are 17 percent accrued salaries and benefits, 74 percent payables to vendors with the remaining 9 percent reserves for insurance claims and deferred revenue.

#### **H. PENSION PLANS**

The Authority participates in two United States Government pension plans: the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS). Each is considered a cost-sharing multiple employer public employee retirement system. Employees hired before December 31, 1983 are members of the CSRS unless they elected to transfer to FERS either before December 31, 1987 or during the special enrollment period from July 1, 1998, through December 31, 1998. In addition, the Authority maintains single employer-defined benefit pension plans that cover all of its police and fire employees and its regular employees hired on or after June 7, 1987, excluding employees working less than 20 hours a week and other temporary employees.

##### *Government Pension Plans*

Under the CSRS, employees contribute 7.0% of their base pay (7.5% for firefighters) and the Authority matches the employees' contributions. Retirement benefits are based on length of service and the average of the employee's three highest years of base pay. Employees can retire at age 55 with 30 years of service; age 60 with 20 years of service; or age 62 with five years of service. Firefighters can retire at age 50 with 20 years of firefighting service. Retirement annuities range from 7.5% of the average high three-year base pay to a maximum of 80 percent depending on years of service. Effective April 1, 1987, the CSRS added a Thrift Savings Plan where CSRS participants can now contribute up to 9.0% of their salary on a tax-deferred basis up to the statutory limit of \$13,000 in 2004. There are 81 regular employees and 19 police and firefighter employees currently enrolled in CSRS, as of December 31, 2003.

The FERS provides benefits from three different sources: a Basic Benefit Plan, Social Security, and the Thrift Savings Plan. The Basic Benefit Plan employees' deduction ranges from 0.8% of base pay for regular employees to 1.3% for firefighters. The Authority contributes from 10.7% for regular employees to 23.3% for firefighters. There are 82 regular employees and 19 police and firefighter employees currently enrolled in the FERS, as of December 31, 2003.

Employees retiring under the FERS are entitled to annual maximum retirement benefits equal to 1.1% of the employee's highest three-year average salary for every year of service. Regular employees are eligible for retirement when they have 10 years of service and have reached the minimum retirement age (ranging from

55 to 57 years old), based on a birth date. Firefighters can retire at age 50 with 20 years of firefighting service or at any age with 25 years of service. These employees are entitled to an annual retirement benefit of 1.7% of the employee's highest three-year average salary for every year of service up to 20 years and 1.0% for years of service over 20. FERS participants enrolled in the Thrift Saving's Plan can now contribute up to 14% of their salary on a tax-deferred basis.

The Authority's base payroll for employees covered by the CSRS and the FERS for the year ended December 31, 2003 was approximately \$12,778,661. The Authority's total base payroll for all employees was approximately \$66,630,899. Employee contributions for these federal pension plans were \$638,933 (5.0% of covered payroll for 2003) and \$833,741 (5% of covered payroll) for 2002.

The employer contributions for these plans were \$1,425,519 for 2003, \$1,527,365 for 2002, and \$1,457,932 for 2001. These contributions represent 100% of required contributions for each of the respective years.

In March 2003, the United States Office of Personnel Management (OPM) notified the Authority that they had completed the calculation of the cost of providing enhanced retirement benefits to the Authority's police officers under Public Law 106-554. Provisions of this law allowed the Authority's police officers that were employed while the Authority was part of the United States Department of Transportation, to elect to be treated as "law enforcement officers" for purposes of retirement. OPM calculated that the past service cost with interest is \$2.8 million and according to the law, is payable in five annual installments with the first payment of \$646,493, which was made on May 31, 2003. The second annual installment of \$646,493 will be made on or before May 31, 2004.

Copies of the financial statements of these pension plans may be obtained from the United States OPM. Actuarial information for these federal pension plans is not available.

#### *The Authority Pension Plans*

Effective January 1, 1989, the Authority established a retirement benefits program for employees hired on or after June 7, 1987, which provides income in the event of retirement or death where a surviving spouse remains. Employee coverage and service credit was retroactive to June 7, 1987. The program includes the Authority Retirement Plan (covering regular employees) and the Authority Retirement Plan for Police Officers and Firefighters (the Plans), both single employer defined benefit plans. Any amendment to these plans must be approved by the Authority's Board. As of December 31, 2003, the number of employees participating in the Plans was:

<u>Current participants</u>	<u>Regular</u>	<u>Police/Fire</u>	<u>Total</u>
Vested	506	132	638
Non-vested	203	98	301
Retirees/Disabled employees currently receiving benefits	71	4	75
Terminated vested participant	<u>204</u>	<u>45</u>	<u>249</u>
Total	<u>984</u>	<u>279</u>	<u>1263</u>

The Authority contributed 6.4% to the Regular Plan and 11.8% to Police and Fire Plan. The Authority's base payroll in 2003 for the Regular Plan was approximately \$38,397,296 and \$11,030,058 for the Police and Fire Plan. In 2002, the base payroll for the Regular Plan was \$35,267,265 and \$8,599,784 for the Police and Fire Plan. In 2003, the Authority contributed \$2,370,976 to the Regular Plan and \$1,443,351 to the Police and Fire Plan. In 2002, the Authority contributed \$2,237,639 to the Regular Plan and \$1,023,374 to the Police and Fire Plan. Employees do not contribute to the Regular Plan.

The Plans provide retirement benefits as well as death benefits. Regular employees who retire at or after age 60 with 5 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 1.2% of final-average salary up to covered compensation and 1.6% of final-average salary which is above covered compensation for each year of credited service (maximum 30 years).

Final-average salary is the average of the employee's highest consecutive 78 pay periods in the most recent 260 pay periods, while covered compensation is the 35-year average of the Social Security Wage Bases ending with the year in which the participant attains Social Security normal retirement age. A pre-retirement surviving spouse benefit is payable in the event of death, equal to 50 percent of the benefit which would have been payable had the participant retired, provided the participant had at least five years of service. Benefits can be received as early as age 55 with five years of service with a 5 percent reduction for each year the participant is younger than age 60. Benefits are also adjusted to the lesser of one-half of the CPI or 4.0%.

The benefits to police officers and firefighters become payable at age 55 with five years of service or at any age with 25 years of service. Benefits are not reduced if retirement is at or after age 50. The benefit is 2.0% of the final average earnings for service up to 25 years, and 1.0% of the final average earnings for service between 25 and 30 years. Withdrawal, death, and cost of living benefits are similar to those available to regular employees. Police officers and firefighters are required to contribute 1.5% of base pay per year of participation, which is accumulated with a 5.0% interest rate and returned when a benefit is forfeited.

The Authority contributes the remaining amounts necessary to fund the Plans using the entry age normal actuarial method in addition to an amount to amortize any unfunded liability.

#### *Contributions Required and Made*

The Authority's funding policy is to provide for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. Employer contributions are determined in accordance with the plan provisions and approved by the Authority's Board. Level percentages of payroll employer contribution rates are determined using the entry age actuarial funding method shown in dollars in the following table. Unfunded actuarial accrued liabilities are being amortized over a period of 30 years on an open basis.

*Annual Pension Cost and Net Pension Obligation*

The Authority's annual pension obligations (asset) for its General Employees and Police and Firefighters pension plans for fiscal 2002, 2001 and 2000, the latest years for which data is available, were as follows:

	2002	
	General Employees	Police and Firefighters
Annual required contribution	\$ 2,084,956	\$ 1,280,205
Interest on net pension obligation (asset)	(106,714)	(30,680)
Adjustment to annual required contribution	109,712	31,542
Annual pension cost	2,087,954	1,281,067
Contributions made	2,410,730	1,356,150
Increase in net pension obligation (asset)	(322,776)	(75,083)
Net pension obligation (asset) beginning of year	(1,333,922)	(383,504)
Net pension obligation (asset) end of year	<u>\$ (1,656,698)</u>	<u>\$ (458,587)</u>

	2001	
	General Employees	Police and Firefighters
Annual required contribution	\$ 2,321,148	\$ 1,232,277
Interest on net pension obligation (asset)	(84,395)	(25,768)
Adjustment to annual required contribution	86,766	26,492
Annual pension cost	2,323,519	1,233,001
Contributions made	2,602,499	1,294,409
Increase in net pension obligation (asset)	(278,980)	(61,408)
Net pension obligation (asset) beginning of year	(1,054,942)	(322,096)
Net pension obligation (asset) end of year	<u>\$ (1,333,922)</u>	<u>\$ (383,504)</u>

	2000	
	General Employees	Police and Firefighters
Annual required contribution	\$ 2,093,484	\$ 1,055,348
Interest on net pension obligation (asset)	(51,523)	(13,026)
Adjustment to annual required contribution	52,970	13,392
Annual pension cost	2,094,931	1,055,714
Contributions made	2,505,837	1,214,980
Increase in net pension obligation (asset)	(410,906)	(159,266)
Net pension obligation (asset) beginning of year	(644,036)	(162,830)
Net pension obligation (asset) end of year	<u>\$ (1,054,942)</u>	<u>\$ (322,096)</u>

Three year trend information is as follows:

General Employees Retirement Plan				Police Officers and Firefighters Plan		
Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligations (Assets)	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligations (Assets)
2000	\$2,094,931	119.6%	(\$1,054,942)	\$1,055,714	115.1%	(\$322,096)
2001	\$2,323,519	112.1%	(\$1,333,922)	\$1,233,001	105.0%	(\$383,504)
2002	\$2,087,954	115.6%	(\$1,656,698)	\$1,281,067	105.9%	(\$458,587)

### *Funding Status*

The actuarial accrued liability was determined as part of an actuarial valuation of the Plans at December 31, 2002. Significant actuarial assumptions used in determining the actuarial accrued liability include: (a) a rate of return on the investment of the present and future assets of 7.5% per year compounded annually, (b) projected salary increases ranging from 5.5% to 9.5% based on years of service and anticipated inflation, (c) post-retirement benefit increases of 1.75% per year, (d) for inflation rate, CPI increases of 3.5% per year (e) amortization method of percentage of projected payroll, and (f) amortization period of 30 years, closed. The actuarial value of assets is determined using fair market values with changes smoothed over a five-year period. A copy of the actuarial valuation and plan document may be obtained by written request to: MWAA, Benefits Department, 1 Aviation Circle, Washington, DC 20001-6000. There are no separate stand alone financial reports issued.

### **Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
General Employees Retirement Plan						
12/31/98	27,535,024	20,885,225	(6,649,799)	131.8%	29,430,827	(22.6)%
12/31/99	33,600,084	24,021,525	(9,578,559)	139.9%	31,323,944	(30.6)%
12/31/00	39,569,099	29,069,920	(10,499,179)	136.1%	34,926,769	(30.1)%
12/31/01	44,776,250	33,126,203	(11,650,047)	135.2%	37,458,710	(31.1)%
12/31/02	48,332,275	37,975,594	(10,356,681)	127.3%	39,377,221	(26.3)%
Police Officers and Firefighters Retirement Plan						
12/31/98	11,810,855	9,657,763	(2,153,092)f	122.3%	7,170,305	(30.0)%
12/31/99	14,570,878	11,597,769	(2,973,109)	125.6%	7,908,710	(37.6)%
12/31/00	17,262,191	14,026,353	(3,235,838)	123.1%	8,882,707	(36.4)%
12/31/01	19,772,489	16,145,289	(3,627,200)	122.5%	9,705,378	(37.4)%
12/31/02	21,744,019	19,020,653	(2,723,366)	114.3%	11,487,047	(23.7)%

### Net Pension Obligation

Calendar Year	General Employees Retirement Plan			Police Officers and Firefighters Retirement Plan		
	Annual Required Contribution	Actual Contribution	Percentage Contribution	Annual Required Contribution	Actual Contribution	Percentage Contribution
1998	2,082,768	2,504,594	120.3%	1,090,458	1,154,134	105.8%
1999	2,139,142	2,312,586	108.1%	1,059,660	1,169,865	110.4%
2000	2,093,484	2,505,837	119.7%	1,055,348	1,214,980	115.1%
2001	2,321,148	2,602,499	112.1%	1,232,277	1,294,409	105.0%
2002	2,084,956	2,410,731	115.6%	1,280,205	1,356,150	105.9%

#### I. POSTEMPLOYMENT BENEFITS AND DEFERRED COMPENSATION PLAN

In addition to pension benefits, the Authority provides postemployment benefits of health and life insurance. The Authority's Board initially provided the benefits package to meet requirements of the federal enabling legislation. Through the budget approval process, the Authority has continued to provide these benefits of insurance to retired employees under the Authority's group plans for health insurance and life insurance. As of December 31, 2003, 223 retired employees were receiving life insurance benefits and 201 retired employees were receiving health insurance benefits under these Authority programs. Both programs are funded on a "pay-as-you-go" basis through payment of monthly premiums to the insurance carriers.

The Authority pays 80 percent of the total health insurance premium costs with the remainder paid by the retired employee. For the years ended December 31, 2003 and 2002, the Authority health insurance costs for retired employees totaled \$1,333,087 and \$1,008,606, respectively.

The Authority pays the full cost of the retired employee's reduced basic and supplemental life insurance. Basic life insurance coverage is reduced to 25 percent of the employee's life insurance in force at the time of retirement. Supplemental life insurance is a multiple of the basic life insurance (1 to 5 times) that the employee had selected prior to retirement. The supplemental life insurance is reduced at a rate of 2.0% each month so that at the end of 50 months, no supplemental life insurance coverage is in force. Of the 223 retired employees, 27 had supplemental insurance coverage as of December 31, 2003. For the year ended December 31, 2003, the life insurance costs for retired employees totaled \$202,721. Of the 203 retired employees, 24 had supplemental insurance coverage as of December 31, 2002. For the year ended December 31, 2002, the life insurance costs for retired employees totaled \$179,983.

#### *Deferred Compensation Plan*

Effective July 2, 1989, the Authority offered its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees, permits employees to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is available to employees at termination, retirement, death, or an unforeseeable emergency.

Effective January 1, 1997, the Board voted to enter into a trust agreement with Allfirst Trust (now Manufacturers and Traders Trust Company) (M&T) for the assets of the Deferred Compensation Plan. All

assets were transferred to Allfirst Trust during 1997 and accordingly, are not included in the Authority's assets and liabilities.

Investments are managed by the Plan's trustee (M&T) under one of several investment options, or a combination thereof. The choice of the investment option(s) is made by the participant.

## **J. CAPITAL DEBT**

### *Bond Anticipation Commercial Paper Notes*

The Authority issued Bond Anticipation Commercial Paper Notes pursuant to Resolution No. 00-1 adopted by the Board of the Authority on April 5, 2000, with a principal amount not to exceed \$250,000,000 outstanding at any time. On April 26, 2000 the Authority sold the first tranche of Series A commercial paper for \$20,000,000. The Notes are issued to provide interim financing for authorized projects at Reagan National and Washington Dulles. On August 29, 2000 a second tranche of the Series A commercial paper for \$130,000,000 was sold. The Notes were issued to refund a portion of the Series 1990A senior bonds. The Notes are supported by a Liquidity Agreement between the Authority and Westdeutsche Landesbank Girozentrale, New York Branch (WestLB), in the amount of \$150,000,000 dated April 1, 2000 that expires on April 18, 2005. The source of payment are proceeds of Notes sold, Take-Out Bonds, Construction Account funds, Liquidity Facility and other funds determined by the Authority to be legally available.

Pursuant to Resolution No. 00-20 adopted by the Board on October 18, 2000, the remaining \$100,000,000 of Bond Anticipation Commercial Paper Notes were approved for issuance. On October 25, 2000 the Authority sold the first tranche of Series B commercial paper for \$40,000,000. The Notes were issued to refund a portion of the Series 1990A senior bonds. On February 27, 2001 a second tranche of the Series B commercial paper for \$16,000,000 was sold. The Notes were issued to refund the final portion of the Series 1990A senior bonds. On February 8, 2002 the third and final tranche of Series B commercial paper for \$44,000,000 was sold. The Notes are issued to provide interim financing for authorized projects at Reagan National and Washington Dulles. The Notes were supported by a Liquidity Agreement between the Authority and Landesbank Baden Wurttemberg, New York Branch (LBBW), in the amount of \$100,000,000 dated October 25, 2000 that expired on October 18, 2003. The source of payment are proceeds of Notes sold, Take-Out Bonds, Construction Account funds, Liquidity Facility and other funds determined by the Authority to be legally available. On October 1, 2003, a portion of the Series 2003A Bonds were used to repay the outstanding balance of these Notes.

The Notes were issued and remarketed under a Commercial Paper Dealer Agreement between the Authority, Merrill Lynch and M.R. Beal & Company. Series A and B Commercial Paper were originally issued and remarketed through Merrill Lynch and M.R. Beal & Company on a 80/20 split; Series A Merrill Lynch \$120,000,000, M.R. Beal & Company \$30,000,000; and Series B Merrill Lynch \$44,800,000, M.R. Beal & Company \$11,200,000. From February 7, 2002 to March 7, 2002 using the remarketing process the amounts were changed to Series A Merrill Lynch \$100,000,000, M.R. Beal & Company \$50,000,000, Series B Merrill Lynch \$100,000,000. This redistribution maintains the original 80/20 split among the brokers.

The Notes are variable rate based on the current market rate. As of December 31, 2003, the weighted average interest rate on outstanding Series A Notes was 1.10%. On October 1, 2003 the Authority issued

Airport System Revenue and Refunding Bonds Series 2003A and a portion of this issue was used to refund all \$100,000,000 of the Series B Bond Anticipation Notes. The weighted average interest rate on the outstanding Series B Notes at refunding was 1.15%.

*Commercial Paper Notes*

Resolution No. 01-6 was adopted by the Board on May 2, 2001, authorizing an additional \$250,000,000 of Commercial Paper Notes. With this resolution the amount of Commercial Paper Notes amount not to exceed was increased to \$500,000,000.

On March 11, 2002, the Authority issued Airport System Revenue Commercial Paper Notes, Series One, in the amount of \$100,000,000. All \$100,000,000 of the Notes were sold through Bear, Stearns & Company, Inc., on April 14, 2002. The Notes are issued to provide financing for authorized projects at Reagan National and Washington Dulles. The Notes are backed by a direct pay Letter of Credit between the Authority and JP Morgan Chase Bank that expires on March 13, 2005, with provisions for extensions. In August 2002, the Authority issued Series 2002D Refunding Bonds which were used to refund the Series One Notes. All \$100,000,000 of the Series One Notes were repaid as of November 11, 2002. The weighted average interest rate on the Notes at the time of repayment was 1.43%.

All of the Authority's Commercial Paper Notes are rated "P-1" short-term by Moody's, "A-1+" short-term by Standard & Poor's, and "F1+" short-term by Fitch. The Authority expects to redeem the Series A Notes by April 2005.



*Bonds Payable (continued)*

The Authority's long-term bonds issued and outstanding as of December 31, 2003 and 2002 were as follows:

<u>Airport System Senior Debt</u>	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Maturing On October 1</u>	<u>Amount</u>	<u>Outstanding at December 31,</u>	
					<u>2003</u>	<u>2002</u>
Series 1993A *						
Revenue & Refunding Bonds	03/01/93					
Serial		4.800%	2004	\$ 1,895,000		
Term		5.250%	2022	13,440,000		
					<u>\$ 15,335,000</u>	<u>\$ 60,495,000</u>
Series 1993B *						
Revenue & Refunding Bonds	03/01/93					
					<u>\$ 0</u>	<u>\$ 34,760,000</u>
Series 1994A Revenue Bonds	06/15/94					
Serial		5.400%-5.900%	2004-2011	\$109,810,000		
Term		5.875%	2015	76,525,000		
Term		5.750%	2020	123,510,000		
Term		5.750%	2021	29,125,000		
Term		5.550%	2024	97,570,000		
					<u>\$ 436,540,000</u>	<u>\$ 447,225,000</u>
Series 1997A Revenue Bonds	05/15/97					
Serial		4.700%-5.300%	2004-2012	\$ 11,785,000		
Term		5.375%	2017	9,275,000		
Term		5.375%	2023	14,865,000		
					<u>\$ 35,925,000</u>	<u>\$ 36,945,000</u>
Series 1997B Revenue Bonds	05/15/97					
Serial		4.900%-6.000%	2004-2014	\$ 77,410,000		
Term		5.500%	2016	19,735,000		
Term		5.750%	2020	46,590,000		
Term		5.500%	2023	42,350,000		
					<u>\$ 186,085,000</u>	<u>\$ 191,085,000</u>
Series 1998A Revenue Bonds	06/15/98					
Serial		4.000%-4.700%	2004-2013	\$ 5,105,000		
Term		5.000%	2018	3,560,000		
Term		5.000%	2023	4,540,000		
Term		5.000%	2028	5,795,000		
					<u>\$ 19,000,000</u>	<u>\$ 19,405,000</u>
Series 1998B						
Revenue & Refunding Bonds	06/15/98					
Serial		4.300%-5.500%	2004-2014	\$107,515,000		
Term		5.000%	2018	56,040,000		
Term		5.000%	2028	85,660,000		
					<u>\$ 249,215,000</u>	<u>\$ 256,365,000</u>

*Bonds Payable (continued)*

<u>Airport System Senior Debt</u>	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Maturing On October 1</u>	<u>Amount</u>	<u>Outstanding at December 31,</u>	
					<u>2003</u>	<u>2002</u>
Series 1999A						
Revenue Refunding Bonds	04/15/99					
Serial		3.900%-4.500%	2004-2010	\$ 10,135,000		
Term		5.250%	2012	3,510,000		
Term		5.250%	2014	3,885,000		
Term		5.250%	2016	4,300,000		
Serial		5.000%	2017-2019	7,320,000		
Term		5.000%	2027	66,180,000		
					<u>\$ 95,330,000</u>	<u>\$ 96,565,000</u>
Series 2001A Revenue Bonds	04/01/01					
Serial		3.600%-5.200%	2004-2022	\$142,550,000		
Term		5.500%	2027	67,190,000		
Term		5.000%	2031	67,820,000		
					<u>\$ 277,560,000</u>	<u>\$ 281,965,000</u>
Series 2001B Revenue Bonds	04/01/01					
Serial		3.400%-4.750%	2004-2017	\$ 4,595,000		
Term		5.000%	2021	1,920,000		
Term		5.000%	2026	3,005,000		
Term		5.000%	2031	3,830,000		
					<u>\$ 13,350,000</u>	<u>\$ 13,595,000</u>
Series 2002A Revenue Bonds	06/04/02					
Serial		3.000%-5.750%	2004-2022	\$104,965,000		
Term		5.125%	2026	38,780,000		
Term		5.250%	2032	75,075,000		
					<u>\$ 218,820,000</u>	<u>\$ 222,085,000</u>
Series 2002B Revenue Bonds	06/04/02					
Serial		3.000%-5.200%	2004-2024	\$ 15,785,000		
Term		5.250%	2032	11,650,000		
					<u>\$ 27,435,000</u>	<u>\$ 27,915,000</u>
Series 2002C Refunding Bonds	08/28/02					
Term		Variable	2004-2021	\$257,895,000		
					<u>\$ 257,895,000</u>	<u>\$ 265,735,000</u>
Series 2002D Refunding Bonds	08/28/02					
Serial		3.250%-5.375%	2004-2020	\$ 43,985,000		
Term		5.000%	2023	12,270,000		
Term		5.000%	2032	49,685,000		
					<u>\$ 105,940,000</u>	<u>\$ 107,235,000</u>
Series 2003A						
Revenue & Refunding Bonds	10/01/03					
Serial		3.000%-5.125%	2004-2025	\$107,475,000		
Term		5.125%	2029	34,935,000		
Term		5.000%	2033	42,590,000		
					<u>\$ 185,000,000</u>	<u>\$ 0</u>

*Bonds Payable (continued)*

<u>Airport System Senior Debt</u>	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Maturing On October 1</u>	<u>Amount</u>	<u>Outstanding at December 31,</u>	
					<u>2003</u>	<u>2002</u>
Series 2003B Refunding Bonds Serial	10/01/03	2.000%-5.250%	2004-2019	\$ 44,135,000	\$ 44,135,000	\$ 0
Series 2003C Revenue & Refunding Bonds Serial	10/01/03	1.560%-5.390%	2004-2015	\$ 26,750,000		
Term		5.740%	2019	12,935,000		
Term		6.000%	2023	12,880,000	\$ 52,565,000	\$ 0
Series 2003D Revenue Bonds Term	10/01/03	Variable	2004-2033	\$150,000,000	\$ 150,000,000	\$ 0
Less unamortized discount/premium					2,370,130,000	2,061,375,000
					42,961,422	44,451,676
					<u>\$ 2,327,168,578</u>	<u>\$ 2,016,923,324</u>

\* A portion of Series 1993A Revenue & Refunding Bonds refunded on October 1, 2003 with fixed rate debt. Series 1993B Revenue & Refunding Bonds were refunded on October 1, 2003 with fixed rate debt.

*Changes in Long Term Liability Balances*

Balance as of December 31, 2002		\$2,016,923,324
Bonds Issued		
Series 2003A	Revenue & Refunding Bonds	\$185,000,000
Series 2003B	Refunding Bonds	44,135,000
Series 2003C	Revenue & Refunding Bonds	52,565,000
Series 2003D	Revenue Variable Rate Bonds	150,000,000
		<u>431,700,000</u>
Bonds Refunded		
Series 1993A	Revenue & Refunding Bonds	(43,360,000)
Series 1993B	Revenue & Refunding Bonds	(33,930,000)
		<u>(77,290,000)</u>
Principal Payments		(45,655,000)
Change in Unamortized Discount/Premium net		<u>1,490,254</u>
Balance as of December 31, 2003		<u>\$ 2,327,168,578</u>

*Senior Debt*

A new Master Indenture was created in 1990 for the Authority. The Master Indenture was amended effective September 1, 2001, to in part, change the definition of Annual Debt Service to accommodate the issuance of secured commercial paper, to permit the Authority to release certain revenues from the definition of revenues, and to expand the list of permitted investments to include new, safe investment vehicles designed to increase the return on the Authority investments. Under this amended Master Indenture, all bonds are collateralized by a pledge of Net Revenues of the Authority which is “senior” to the “subordinated” pledge given by the Authority in connection with the issuance of its bonds prior to 1990. A total of \$3,264,360,000 of senior bonds excluding the commercial paper, has been issued by the Authority on 12 separate occasions including senior debt of: \$246,000,000 in February 1990; \$300,000,000 in March 1992; \$113,690,000 in March 1993; \$500,000,000 in June 1994; \$250,000,000 in May 1997; \$100,000,000 in October 1997; \$300,000,000 in July 1998; \$100,000,000 in April 1999; \$300,000,000 in April 2001; \$250,000,000 in June 2002; \$372,970,000 in August 2002; and \$431,000,000 in October 2003.

The proceeds of the Bonds issued are being used to finance a portion of the costs of the Authority’s CCP. Portions of both the Series 1993A and Series 1993B Bonds were used (a) to refund the Authority’s Series 1988B Subordinated, variable rate bonds, and (b) to finance the costs of certain service, parking, office, and other facilities at Reagan National that are used by rental car companies serving the Airport. Portions of the Series 1997C Bonds were used to retire the Authority’s Series 1989A Subordinated Bonds. Portions of the Series 1998B Bonds were used to retire the Authority’s Series 1988A Subordinated Bonds. The proceeds of the Series 1999A Bonds were used to refund the Authority’s Series 1997C Senior Bonds. The proceeds of the Series 2002C Bonds were used to refund the outstanding Series 1992A Senior Bonds. Proceeds of the Series 2002D Bonds were used to repay the outstanding Series One Commercial Paper Notes. A portion of the Series 2003A Bonds were used to repay all of the Authority’s Series B Bond Anticipation Commercial Paper Notes. Proceeds of the Series 2003B Bonds were used to refund a portion of the Authority’s Series 1993A Bonds. Proceeds of the Series 2003C Bonds were used to refund all of the Authority’s outstanding Series 1993B Bonds and provide reimbursement for the Vastara Office Building at Washington Dulles.

On October 1, 2003, the Authority issued \$281,700,000 of Airport System Revenue Bonds Series 2003A-B-C and \$150,000,000 Airport System Revenue Variable Rate Bonds Series 2003D. The proceeds of \$185,000,000 of the Series 2003A Bonds together with other available funds (the Sinking Fund Account of the refunded commercial paper notes) were used to finance capital improvements at Reagan National and Washington Dulles and to repay the Authority’s outstanding Series B Bond Anticipation Commercial Paper Notes. The outstanding balance of Series B Notes, \$100,000,000 was repaid on October 1, 2003. The commercial paper was repaid at par plus accrued interest. The proceeds of \$44,135,000 of the Series 2003B Bonds were used to refund a portion of the Authority’s outstanding Airport System Revenue and Refunding Bonds, Series 1993A. The outstanding bonds maturing 2005 through 2019 of Series 1992A, \$43,360,000, were refunded on October 31, 2003. The Authority estimates the present value savings of this refunding to be \$1.9 million. The refunded Series 1992A Bonds were scheduled to mature on October 1, 2005 through 2019 and were subject to optional redemption on October 1, 2003. The bonds were redeemed at a price of 102 percent plus accrued interest. The proceeds of \$52,565,000 of the Taxable Series 2003C Bonds were used to reimburse the Authority the costs of certain capital projects at Washington Dulles and for the refunding of the Authority’s outstanding Airport System Taxable Revenue and Refunding Bonds, Series 1993B. The outstanding balance of Series 1993B, \$33,930,000 was refunded on October 31, 2003. The

Authority estimates the present value savings of this refunding to be \$4.2 million. The refunded Series 1993B Bonds were scheduled to mature on October 1, 2022 and were subject to optional redemption on October 1, 2003. The bonds were redeemed at a price of 102 percent plus accrued interest. The proceeds of \$150,000,000 of the Variable Rate Series 2003D Bonds will be used to finance capital improvements at Reagan National and Washington Dulles. The Series 2003D Bonds will be issued as auction rate securities in two subseries. Series 2003D-1, \$75,000,000, with Goldman, Sachs & Co. as underwriter and broker-dealer and Series 2003D-2, \$75,000,000, with Morgan Stanley as underwriter and broker-dealer.

On June 6, 2002, the Authority issued \$250,000,000 of Airport System Revenue Bonds Series 2002A-B. Proceeds of the Series 2002A-B Bonds will be used to finance capital improvements at Reagan National and Washington Dulles. On August 28, 2002, the Authority issued \$265,735,000 of Airport System Revenue Variable Rate Refunding Bonds Series 2002C. The proceeds of \$240,644,415 of the Series 2002C Bonds together with other available funds (the Interest Account, Sinking Fund Account and Debt Service Reserve Account of the refunded bonds) were used for the refunding of the Authority's outstanding Airport System Revenue Bonds, Series 1992A. The outstanding balance of Series 1992A, \$266,685,000 was refunded on October 1, 2002. The Authority entered into a synthetic advance refunding using a forward interest rate swap (See Note C) on the Series 1992A Bonds that went live in August 2002. The Authority estimates the present value savings of this refunding to be \$26.0 million. The refunded Series 1992A Bonds were scheduled to mature on October 1, 2021 and were subject to optional redemption on October 1, 2002. The bonds were redeemed at a price of 102 percent plus accrued interest. Also on August 28, 2002, the Authority issued \$107,235,000 of Airport System Revenue Refunding Bonds Series 2002D. The proceeds of \$99,220,265 of the Series 2002D Bonds together with other available funds (the Sinking Fund Account of the repaid commercial paper) were used for the repayment of the Authority's outstanding Airport System Revenue Commercial Paper Notes, Series One. The outstanding balance of Series One, \$100,000,000 was repaid on five maturity dates between August 29, 2002 and November 1, 2002. This transaction will free up \$100 million of the Authority's commercial paper capacity to provide back-up liquidity to meet CCP expenditures. The commercial paper was repaid at par plus accrued interest.

Both series of 1993 Bonds were insured by Municipal Bond Investors Assurance Corporation (MBIA). All but \$29,125,000 of the Series 1994A Bonds (those maturing in the year 2021) are insured by MBIA. All but \$24,140,000 of the Series 1997A (those maturing in the years 2013 through 2023) and \$134,505,000 of the Series 1997B Bonds (those maturing in the years 2012 through 2023) are insured by Financial Guaranty Insurance Company (FGIC). All \$19,795,000 of the Series 1998A Bonds are uninsured; \$46,305,000 of the Series 1998B Bonds (those maturing in the years 2002 through 2007) are uninsured. All Series 1999A Bonds are insured by FGIC. All but \$4,200,000 of the Series 2001A (those maturing in the year 2002) and \$485,000 of the Series 2001B Bonds (those maturing in the years 2002 through 2003) are insured by MBIA. All \$250,000,000 of the Series 2002A-B Bonds are insured by FGIC. All \$372,970,000 of the Series 2002C-D Bonds are insured by Financial Security Assurance (FSA). All \$185,000,000 of the Series 2003A Bonds are insured by FGIC. All but \$12,440,000 (those maturing in the years 2004 through 2009) of the Series 2003B Bonds are insured by FGIC. All but \$7,600,000 (those maturing in the years 2004 through 2007) of the Series 2003C Bonds are insured by FGIC. All \$150,000,000 of the Series 2003D Bonds are insured by XL Capital Assurance.

The following is a summary of the maturities and sinking fund requirements not including any unamortized discount or premium:

Year ending December 31	Principal	Interest	Total Debt Service
2004	\$ 56,105,000	\$ 120,104,517	\$ 176,209,517
2005	58,590,000	117,622,892	176,212,892
2006	61,395,000	114,914,026	176,309,026
2007	64,335,000	112,034,546	176,369,546
2008	67,540,000	108,916,019	176,456,019
2009 - 2013	392,420,000	491,163,506	883,583,506
2014 - 2018	505,965,000	379,960,786	885,925,786
2019 - 2023	557,530,000	238,110,624	795,640,624
2024 - 2028	372,125,000	109,450,269	481,575,269
Thereafter	234,125,000	30,292,542	264,417,542
	<u>\$ 2,370,130,000</u>	<u>\$ 1,822,569,727</u>	<u>\$ 4,192,699,727</u>

Total interest cost for the years ended December 31, 2003 and 2002 were \$110,289,313 and \$104,208,736, respectively. The current portion of the Authority's bonds payable, in the amount of \$56,105,000, is due on October 1, 2004.

#### *Special Facility Revenue Bonds*

In March 1991, the Authority issued \$14,200,000 of Special Facility Revenue Bonds on behalf of Caterair International Corporation (Caterair). The bonds were issued to finance the construction of an Inflight Kitchen Facility at Reagan National.

The Special Facility Revenue Bonds and related costs are payable only with funds from Caterair. Since these bonds do not represent a claim on the Authority's assets, nor do they require the Authority to incur future obligations, they have not been recorded in the Authority's financial statements.

#### **K. AIRPORT USE AGREEMENT AND PREMISES LEASE**

In February 1990, the Authority entered into a long-term agreement with the major airlines serving the Airports. The Agreement is for a term of 25 years, subject to cancellation rights by the Authority after 15 years, and annually thereafter, at the option of the Authority. The Agreement provides for the calculation of annual rates and charges, with rate adjustments at midyear, or any time revenues fall five percent or more below projections. The Agreement also provides for an annual "settlement" whereby the rates and charges are recalculated using audited financial data to determine any airline over/underpayment. For the year ended December 31, 2003, the settlement resulted in a charge to the airlines of \$6,024,150 which is reflected as a reduction in accounts payable and accrued expenses. For the year ended December 31, 2002, the settlement resulted in a charge to the airlines of \$454,451 which was reflected in accounts payable and accrued expenses.

Rates and charges are established to provide net revenues of at least 125 percent of debt service. Net remaining revenues (NRR) are defined as revenues less all operating and maintenance expenses, debt service,

specified reserves, and other requirements. Subsequent to the final determination, NRR is allocated between the Authority and the airlines in accordance with the Agreement which shares NRR approximately 50/50 between the Authority and the airlines. The Authority's share of NRR is reflected in the Authority Capital Fund as a reservation of retained earnings in the subsequent year, and is available for repair and rehabilitation projects or any other lawful purpose. The airlines' share of NRR is recorded prospectively and reduces the subsequent year's rates and charges. All calculations are done in accordance with the Agreement.

In addition, the Agreement establishes an index amount at each Airport. When the transfer amount to the airlines reaches this level, the amount over the plateau is allocated 75 percent to the airlines and 25 percent to the Authority. For the years ended December 31, 2003 and 2002, at Washington Dulles, the transfer amount exceeded the plateau amount by \$3,861,556 and \$5,554,237, respectively. This amount was allocated accordingly and is included in the airlines' and the Authority's share. For the years ended December 31, 2003 and 2002, at Reagan National, the transfer amount exceeded the plateau amount by \$1,615,506 and \$294,237, respectively. For the years ended December 31, 2003 and 2002, the airlines' share of NRR was \$27,681,635, and \$32,463,674, respectively, and the Authority's share was \$25,591,988 and \$25,480,671, respectively.

**L. NET ASSETS**

Net Assets consists of the following:

*Invested in Capital Assets Net of Debt consists of the following:*

	<u>2003</u>	<u>2002</u>
Long-term assets		
Capital assets		
Land	\$ 49,066,610	\$ 49,679,736
Construction in progress	619,050,895	538,890,637
Buildings and equipment	2,894,632,093	2,671,901,652
Less: Accumulated depreciation	<u>(818,686,558)</u>	<u>(706,799,239)</u>
Capital assets, net	2,744,063,040	2,553,672,786
Bond issuance costs, net	<u>34,790,874</u>	<u>25,363,782</u>
Total Capital Assets	2,778,853,914	2,579,036,568
Less: related liabilities		
Other liabilities, current	209,550	1,506,464
Other liabilities, noncurrent	-	-
Current portion bonds payable	56,105,000	45,655,000
Bank participation notes	187,700,000	170,200,000
Commercial paper notes	150,000,000	250,000,000
Bonds payable, net	<u>1,956,341,695</u>	<u>1,693,637,284</u>
Total Liabilities	<u>2,350,356,245</u>	<u>2,160,998,748</u>
Invested in capital assets, net of debt	<u>\$ 428,497,669</u>	<u>\$ 418,037,820</u>
<i>Restricted Assets consists of the following:</i>		
Restricted assets		
Cash and cash equivalents, restricted	\$ 238,607,369	\$ 135,112,168
Passenger facility charges, cash, restricted	14,797,301	6,676,452
Passenger facility charges and grants, receivables, restricted	8,588,515	8,476,074
Long-term investments, restricted	144,682,412	113,837,927
Investments, restricted	<u>20,831,689</u>	<u>128,089,495</u>
Total Assets	427,507,286	392,192,116
Less: Liabilities from restricted assets		
Accounts payable and accrued expenses	48,829,027	52,955,718
Debt Related to Unspent Bond Proceeds	314,721,883	277,631,040
Accrued interest payable	<u>27,798,058</u>	<u>26,958,855</u>
Total Liabilities	<u>391,348,968</u>	<u>357,545,613</u>
Restricted Net Assets	<u>\$ 36,158,318</u>	<u>\$ 34,646,503</u>



*Unrestricted Assets consists of the following:*

	<u>2003</u>	<u>2002</u>
Current Assets		
Cash and cash equivalents	\$ 35,682,214	51,069,154
Investments	106,325,974	97,313,765
Accounts receivables, net	19,294,775	18,084,191
Inventory	1,890,063	1,961,744
Prepaid expenses and other current assets	<u>3,641,957</u>	<u>2,537,820</u>
Total Current Assets	166,834,983	170,966,674
Long-term Assets		
Long-term investments	50,511,329	48,696,006
Net Pension Asset	2,115,285	1,717,426
Other long-term assets	<u>2,045,311</u>	<u>2,177,918</u>
Total Unrestricted Assets	221,506,908	223,558,024
Less: Current Liabilities		
Accounts payable and accrued expenses	25,331,592	32,692,240
Operating lease obligations	<u>341,140</u>	<u>341,140</u>
Total Current Liabilities	25,672,732	33,033,380
Less: Other Liabilities	<u>5,541,839</u>	<u>6,174,603</u>
Total Liabilities Payable from Unrestricted Assets	<u>31,214,571</u>	<u>39,207,983</u>
Unrestricted Assets	<u>\$ 190,292,337</u>	<u>\$ 184,350,041</u>

## M. LEASE COMMITMENTS

### *Property Held for Lease*

The Authority has entered into various operating leases with tenants for the use of space at the Authority's facilities including buildings, terminals, and customer service areas. The lease terms include a minimum fixed fee as well as contingent fees based on the tenants' volume of business. All the leases provide for a periodic review and redetermination of the rental amounts. Minimum future rentals scheduled to be received on operating leases that have initial or remaining noncancelable terms in excess of one year are:

<u>Year ending December 31,</u>	
2004	\$ 232,006,558
2005	250,770,897
2006	245,319,263
2007	252,489,874
2008	263,737,695
2009 and thereafter	<u>2,017,581,309</u>
Total minimum future rentals	<u>\$ 3,261,905,596</u>

The above amounts do not include contingent rentals and fees in excess of minimums, which amounted to \$11,865,990 for the year ended December 31, 2003. The portion of property associated with minimum rentals derived from operating leases was capitalized prior to June 7, 1987, and ownership was retained by the United States Government. Use of this property is provided to the Authority under its operating lease with the United States Government. Accordingly, the cost of this property is not reflected in the financial statements of the Authority.

On December 15, 2003, the operating period of the lease of land and provision for services to the Stephen F. Udvar-Hazy Center (Center) began. The lease agreement grants the Smithsonian the right to occupy, develop, operate, control and use the Center premises located on land at Washington Dulles and obtain services from the Authority for police, fire, emergency, and ambulance needs. This lease expires in 2054. The operating period was preceded by a construction period. Commencing with the operating period the Smithsonian will pay the Authority for the services provided. The lease provides for periodic reconciliation payments and updated payments for services provided.

*Property Leased from Others*

On June 7, 1987, the United States Government transferred Reagan National's and Washington Dulles' real properties to the Authority under a 50-year lease, with extensions negotiable. The lease was amended effective June 17, 2003, to extend the term from 50 to 80 years, with an expiration date of June 6, 2067. Upon expiration of the lease, the Airports and facilities, including improvements, will be returned to the United States Government. The lease requires annual rental payments of \$3,000,000, with subsequent annual rental payments adjusted for inflation. The 2003 federal lease expense was \$4,303,764. The Authority invests monthly lease payments in Repurchase Agreements or Certificates of Deposit and makes semi-annual payments, including interest, to the United States Government.

Minimum future rentals scheduled to be paid on operating leases in effect on December 31, 2003, as calculated in 2003 dollars are:

<u>Year ending December 31,</u>	
2004	\$ 4,312,430
2005	4,312,430
2006	4,312,430
2007	4,312,430
2008	4,312,430
2009 and thereafter	<u>253,922,089</u>
Total minimum future rentals	<u>\$275,484,239</u>

Total rental expense for the years ended December 31, 2003 and 2002 were \$4,312,430 and \$4,258,464 respectively.

**N. OTHER COMMITMENTS AND CONTINGENCIES***Line of Credit*

The Authority issued Flexible Term PFC Revenue Notes (bank participation notes) of \$255,000,000 to finance PFC approved projects. The bank participation notes have various maturity dates and interest rates that vary from 0.80% to 1.20%. The bank participation notes require the Authority to maintain a reserve account. The reserve account at December 31, 2003 and 2002 was \$1,529,885 and \$1,387,248, respectively, and is included in PFCs, cash, restricted on the Statements of Net Assets. The bank participation notes are backed by a Bank of America, N.A. Letter of Credit. Bank participation notes outstanding at December 31, 2003 and 2002 were \$187,700,000 and \$170,200,000, respectively. Total interest cost for the years ended December 31, 2003 and 2002 were \$2,316,822 and \$3,186,897, respectively.

*Construction Commitments*

At December 31, 2003, the Authority had outstanding commitments for capital expenditures in connection with its CCP in the amount of \$537.1 million. However, services have not been provided as of December 31, 2003, and accordingly no liability has been recorded in the financial statements. In connection with the CCP and Capital, Operating and Maintenance Investment Programs (COMIP), and normal operations of Reagan National and Washington Dulles, the Authority recognizes the need to address environmental concerns and currently oversees a number of ongoing environmental projects. Management has estimated that the cost to continuously monitor and inspect these environmental concerns ranges between \$20 million and \$25 million, of which a portion is expected to be funded by the FAA. The Authority has budgeted and expects to fund any remaining costs principally through the CCP.

**O. GOVERNMENT GRANTS***In Aid of Construction*

The Authority receives, on a reimbursement basis, grants from the Commonwealth of Virginia and the United States Government for certain capital construction projects through the Airport Improvement Program (AIP). As a recipient of state and federal financial assistance, the Authority is responsible for maintaining an internal control structure that ensures compliance with all laws and regulations related to this program. Total federal and state grant work performed for years ended December 31, 2003 and 2002 was \$12,308,939 and \$14,212,971, respectively. All grants are subject to financial and compliance audits by the grantors. However, the Authority estimates that no material disallowances will result from such audits.

*Federal and State Grants*

The Authority received federal and state grants for operating and capital programs as summarized in the tables below:

*Operating Programs*

	<u>2003</u>	<u>2002</u>
FAA K-9 Program	\$ 400,500	\$ 400,500
Drug Enforcement Agency (DEA) Drug Seizures Program	4,748	42,063
Federal Emergency Management Agency (FEMA)	1,659,541	-
Prince William County Anti-Terrorism Grant	9,345	-

The FAA K-9 program funds are used to offset expenses of training and caring for the explosive detection dogs. The Drug Enforcement Agency Drug Seizures Program is a collaborative effort between the DEA and the Authority's police department wherein both entities share in the proceeds from the sale of confiscated items. The Authority's proceeds may only be used for certain types of expenses defined by the DEA. In February 2003, the Authority was impacted by the largest snowstorm to hit the greater Metropolitan Washington area in decades. The Airports were blanketed by 16.6 inches of snow at Reagan National and 24.6 inches of snowfall at Washington Dulles. As a result FEMA reimbursed the Authority in 2003 for certain expenses, including overtime, supplies and equipment. All of the amounts above were reported as grant revenue in the Statements of Revenues, Expenses and Changes in Net Assets for year ended December 31, 2003 and 2002.

*Capital Program*

	<u>2003</u>	<u>2002</u>
Federal Grants for Construction	\$ 11,067,245	\$ 11,939,165
State Grants for Construction	1,241,694	2,273,806

The Authority receives federal and state grants in support of its CCP. The federal program provides funding for airport development, airport planning and noise compatibility programs from the Airports and Airways Trust Funds in the form of entitlement and discretionary grants for eligible projects. The Commonwealth of Virginia also provides discretionary funds for capital programs.

Grants for capital asset acquisition, facility development, rehabilitation of facilities and long-term planning are reported in the Statements of Revenues, Expenses and Changes in Net Assets as Capital Contributions.

*Other Capital Property Acquired*

The Authority recorded \$6.0 million in capital contributions in 2003, in recognition of a portion of the Aircraft Haul Road and a portion of the Museum Access Road built by the Smithsonian and the Virginia Department of Transportation during the construction of the Center. The title to these access ways vests with the Authority upon completion of the Center and acceptance by the Authority. The Authority is required to maintain these roadways and allow Smithsonian patrons and invitees ingress to an egress from the Center premises for the movement of aircraft and vehicles.

*Federal Compensation*

As a result of the terrorism of September 11, 2001, due to the proximity of the airport to key government facilities, FAA prohibited all commercial and general aviation aircraft activity at Reagan National until October 4, 2001. Since then, FAA has authorized the phased resumption of activities at Reagan National.

In December 2001, the federal government provided \$40 million (Public Law 107-38) in federal compensation to the Authority to help offset some of the lost airline and concession revenues for the closed and reduced operations at Reagan National. The agreement between the Authority and the United States Department of Transportation required that \$8.1 million of the funds be used to provide relief to the concessionaires at Reagan National. The balance of the funds, \$31.9 million, was not restricted. A total of \$10.2 million in relief was provided to the concessionaires in values and cash assistance in 2001 and 2002. In December 2001, the Authority's Board approved a plan to provide a total of \$9.9 million in aid to the concessionaires. For September through December 2001, the minimum guarantees and percentage payments for the concessionaires were waived entirely. In addition, the Board approved a plan to pay the concessionaires \$1.6 million for lost revenues. A total amount of \$1.9 million was paid to the concessionaires in early 2002. From January 2002 through June 2002, the minimum guarantees were waived, although the concessionaires paid their usual percentages.

The \$40 million payment from the Federal Government was recorded in 2001, as non-operating revenues in the Statements of Revenues, Expenses and Changes in Net Assets. This was partially offset by the cash amount of \$1.6 million to be paid to the concessionaires and was shown on the federal compensation transfers line of the Statements of Revenues, Expenses and Changes in Net Assets. In 2002, an additional \$279,000 was paid to concessionaires above the estimated \$1.6 million and is recorded as federal compensation transfers on the Statements of Revenues, Expenses and Changes in Net Assets. The \$37.9 million cash was shown in 2001, on the Statements of Net Assets as unrestricted cash, while the \$2.1 million to be used in 2002 for the waived minimum guarantees from the concessionaires was recorded as restricted cash.

In July 2002, the FAA provided \$3.1 million in compensation to the Authority to help offset some of the additional costs incurred as a result of new security measures. The \$3.1 million is recorded as federal compensation in the Statements of Revenues, Expenses and Changes in Net Assets.

## **P. LITIGATION**

Legal counsel has advised that, while a number of claims in the normal course of business are outstanding, there were no matters outstanding which could have a material adverse effect on the financial statements of the Authority.

## **Q. PASSENGER FACILITY CHARGES**

As described in Note A, PFCs are collected in accordance with the FAA regulations allowing airports to impose a \$4.50 PFC. For the years ended December 31, 2003 and 2002, the Authority earned PFCs of \$27,901,618 and \$24,993,068 for Reagan National, respectively, and \$30,536,420 and \$34,078,273 for Washington Dulles, respectively. In accordance with the regulations, based on the approval date from the FAA and continuing through the PFC collection period, the Authority's share of entitlement grants will be reduced 75 percent.

**R. RISK MANAGEMENT**

The Authority is exposed to a variety of risks or losses related to operations (i.e., injuries to employees, injuries to members of the public or damage to their property, and damage to the Authority's property). During fiscal years 2003 and 2002, the Authority maintained accruals to finance its self-insured risk of loss. The Authority purchases commercial insurance for claims in excess of amounts provided by these accounts.

All offices within the Authority are covered under these accounts. The accruals are determined by the Risk Management Department based on insurance claim practices and actuarial estimates for prior and current-year claims. The overall accrual for losses was \$3,206,795 as of December 31, 2003, and is included in the accounts payable and accrued expenses line item. This is based on the requirements of GASB Statement No. 30, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the claim liability accounts amount in fiscal year 2003 and 2002 were:

<u>Fiscal Year</u>	<u>Beginning Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Liability</u>
2003	\$ 1,845,162	\$3,485,871	\$ 2,124,238	\$ 3,206,795
2002	\$ 815,023	\$1,719,863	\$ 689,724	\$ 1,845,162

Settlements did not exceed insurance coverages for the past three years.

**S. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

*Cash and Short Term Investments*

The carrying amount approximates the fair value because of the short maturity of those instruments (See Note B).

*Long-Term Investments*

For securities held as long-term investments, fair value equals quoted market prices, if available. If a quoted market price is not available, fair value is estimated based upon quoted market prices for securities with similar characteristics (See Note B).

*Long-Term Debt*

The fair value of the Authority's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Authority for debt of the same remaining maturities.

The carrying value of the Authority's Bonds Payable and Notes Payable as of December 31, 2003, is \$2,707,830,000 with a market value of \$2,864,781,897.

#### *Interest Rate SWAP*

The fair value of the interest rate swap (used for hedging purposes) is the estimated amount that the Authority would pay (or receive) to terminate the swap agreements at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counter parties (See Note C).

### **T. Reclassification**

In 2003, the Authority changed the presentation of concession management expenses to include them as a component of Materials, equipment, supplies, contract services and other expenses rather than as a direct offset to concession revenue as had been previously shown. The Operating Revenues—concessions and Operating Expenses—materials, equipment, supplies, contract services and other expenses each increased by \$31,445,448 for 2002. There was no change in operating income, net assets or cash flows for the year.

### **U. Subsequent Events**

#### *Forward Interest Rate Swap*

On January 6, 2004, the Authority completed a synthetic advance refunding of a portion of the Series 1994A Bonds through a forward starting fixed interest rate Swap agreement. The notional amount of the Swap is \$227.9 million and was issued to assure lower interest rates on \$219.5 million of Series 1994A Bonds. The Swap achieves an interest rate of 3.64% for a period of 15 years. The Swap will be activated in August 2004, unless the Authority terminates the deal before that time. The Authority's 2004 Plan of Finance includes refunding of the Series 1994A Bonds either via issuance of variable or fixed rate debt, depending whether the Swap goes live or is terminated.

#### *United Airlines*

On March 19, 2004, the U.S. Bankruptcy Court for the Northern District of Illinois, Eastern Division, approved UAL Corporation's assumption of leases and cure of all defaults at Reagan National and Washington Dulles. The court's order included the following principal provisions. The court's order approved United's assumption of the Agreement (MWAA-4-90-A020), the Hangar 3 Lease Agreement at Reagan National Airport (MWAA-LN-92-06), the Concourse B Space Permit at Washington Dulles (MWAA-B-99-10S), the Airline Cargo Complex Lease Agreement at Washington Dulles (MWAA-LD-00-05), and the Ground Equipment Maintenance Facility Lease at Washington Dulles (MWAA-LD-88-06). The court's order also approved payment of \$4,476,143 by United to the Authority to cure all defaults under these leases. Of this amount, \$250,000 will be paid to the Authority within thirty days after the date the Court's order becomes final and non-appealable; another \$250,000 will be paid within sixty days after the date the Court's order becomes final and non-appealable; and the remaining \$3,976,143 will be payable to the Authority within thirty days after the entry of a final and non-appealable order confirming United's reorganization plan. In addition, the court approved the termination of Amendment No. 36 to United's Use and Lease Agreement (relating to Washington Dulles Tier 2) and United's reimbursement of \$20,363,189

to the Authority design fees incurred in connection with the Tier 2 Package. This is to be paid over ten years after United's exit from bankruptcy, except these payments will cease if United proceeds with a Tier 2 project at a later date. In that event, the remaining amount of the design fees will be recouped through the rents, fees and charges for Tier 2. The court's order also approved the Authority's buyout of the United Express Facility at Washington Dulles, with payment to occur as defined in the order, United's release of space in Hangar 3 at Reagan National, and the Authority's reinstatement of Phase II of the Concourse C-D Rehabilitation Project.



## OPERATING EXPENSES BY FUNCTION

Exhibit S-1

(Expressed in Thousands)

	CY 2003*	CY 2002*	CY 2001*	CY 2000*	CY 1999*	CY 1998	OCT. 1 1996- CY 1997	DEC. 31 1996	FY 1996	FY 1995	FY 1994
<b>NATIONAL</b>											
Materials, equipment, supplies, contract services, and other	\$42,379.1	\$41,932.7	\$38,775.9	\$39,825.9	\$39,163.7	\$23,498.0	\$18,760.7	\$3,589.4	\$16,332.7	\$15,329.8	\$15,639.8
Salaries and related benefits	40,221.7	38,727.9	35,314.3	33,439.0	32,105.9	30,302.1	29,304.6	7,289.3	28,316.9	26,423.3	25,576.3
Utilities	5,801.8	5,402.1	5,490.5	5,417.3	4,552.0	4,797.6	6,441.9	1,524.2	3,963.7	3,211.2	3,857.4
Travel	407.3	369.9	536.3	415.9	309.5	429.2	309.3	77.1	314.3	299.0	344.5
Insurance	3,936.5	2,718.5	1,558.8	1,550.1	1,860.3	1,961.3	2,067.6	452.7	1,879.8	1,335.5	1,699.5
Non-Cash expenses	50.3	(321.6)	646.0	(269.6)	193.7	(228.5)	(168.9)	78.3	316.3	113.9	14.3
Non-Capitalized facility projects	222.8	794.5	710.1	1,077.3	680.3	278.2	235.3	83.6	818.2	637.4	406.2
Lease from U.S. Government	2,151.9	2,119.1	2,084.6	2,029.2	2,039.1	2,040.6	2,000.9	494.2	1,957.4	1,895.8	1,872.1
Depreciation and amortization	11,110.8	11,080.6	10,710.3	9,349.4	8,323.8	7,345.9	5,423.9	1,245.6	3,840.9	4,438.6	2,518.7
<b>Total National Expenses</b>	<b>\$106,282.2</b>	<b>\$102,823.7</b>	<b>\$95,826.8</b>	<b>\$92,834.5</b>	<b>\$89,228.3</b>	<b>\$70,424.4</b>	<b>\$64,375.3</b>	<b>\$14,834.4</b>	<b>\$57,740.2</b>	<b>\$53,684.5</b>	<b>\$51,928.8</b>
<b>DULLES</b>											
Materials, equipment, supplies, contract services, and other	\$68,998.1	\$65,348.7	\$56,719.3	\$55,616.5	\$52,689.2	\$26,748.6	\$19,712.1	\$4,576.3	\$18,316.9	\$16,368.5	\$17,098.9
Salaries and related benefits	54,749.8	52,802.3	48,619.6	44,981.1	41,444.7	37,879.9	35,395.7	8,830.7	35,091.5	32,435.0	31,645.3
Utilities	10,756.8	10,061.6	11,895.2	10,734.9	7,938.1	8,390.9	9,052.1	1,928.8	7,304.9	7,226.9	7,342.6
Travel	371.3	316.1	523.0	385.8	313.8	402.3	308.6	75.9	294.3	303.1	315.2
Insurance	3,936.5	2,718.5	1,558.8	1,550.1	1,860.3	1,961.3	2,067.6	452.8	1,879.8	1,335.5	1,698.6
Non-Cash expenses	109.1	717.6	1,054.4	(333.4)	225.6	300.3	401.4	42.8	202.5	290.8	2.7
Non-Capitalized facility projects	630.1	102.8	182.5	302.6	321.5	122.1	90.2	47.1	199.5	152.5	154.3
Lease from U.S. Government	2,151.9	2,119.1	2,084.6	2,029.2	2,039.1	2,040.6	2,000.9	494.2	1,957.4	1,895.8	1,872.1
Depreciation and amortization	22,390.7	20,433.3	20,458.8	18,925.2	18,872.0	16,335.8	13,045.8	4,219.9	11,034.7	10,427.1	7,055.1
<b>Total Dulles Expenses</b>	<b>\$164,094.3</b>	<b>\$154,620.0</b>	<b>\$143,096.2</b>	<b>\$134,192.0</b>	<b>\$125,704.3</b>	<b>\$94,181.8</b>	<b>\$82,074.4</b>	<b>\$20,668.5</b>	<b>\$76,281.5</b>	<b>\$70,435.2</b>	<b>\$67,184.8</b>
<b>WASHINGTON FLYER</b>											
Materials, equipment, supplies, contract services, and other	\$1,088.9	\$1,208.1	\$3,480.3	\$4,108.8	\$4,185.9	\$4,076.0	\$4,066.5	\$1,027.2	\$4,345.0	\$4,428.8	\$4,081.2
Salaries and related benefits	162.1	139.2	442.0	470.1	518.4	489.8	476.9	122.3	558.0	449.9	446.0
Utilities	0.0	0.0	0.0	0.0	0.0	51.7	70.1	24.1	76.3	73.1	59.4
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.0	2.0	3.5	19.5
Insurance	23.9	42.9	131.7	194.1	279.4	135.8	231.7	70.7	203.6	209.3	221.2
Non-Cash expenses	0.1	217.7	(11.4)	(3.4)	(17.4)	(113.5)	2.8	0.6	0.8	(0.2)	0.7
Non-Capitalized facility projects	0.0	0.0	0.0	0.0	2.2	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	202.1	290.0	640.2	651.0	752.1	761.3	310.3	31.0	124.2	221.3	230.0
<b>Total Washington Flyer Expenses</b>	<b>\$1,477.1</b>	<b>\$1,897.9</b>	<b>\$4,682.8</b>	<b>\$5,420.6</b>	<b>\$5,720.6</b>	<b>\$5,401.1</b>	<b>\$5,158.9</b>	<b>\$1,275.9</b>	<b>\$5,309.9</b>	<b>\$5,385.7</b>	<b>\$5,058.0</b>
<b>WASHINGTON FLYER MAGAZINE</b>											
Materials, equipment, supplies, contract services, and other	\$905.1	\$969.6	\$1,546.6	\$1,784.4	\$1,890.3	\$1,084.4	\$997.0	\$213.2	\$924.7	\$962.4	\$973.4
Salaries and related benefits	0.0	0.0	26.8	31.0	120.9	406.5	427.0	93.3	425.3	367.5	541.3
Utilities	0.0	0.0	0.0	0.0	3.4	13.0	27.7	4.7	16.9	10.3	34.8
Travel	0.0	0.0	0.0	0.0	1.0	4.3	8.1	3.2	1.1	3.0	11.4
Insurance	0.0	0.0	7.7	26.0	0.0	0.0	0.0	0.0	0.0	0.0	2.5
Non-Cash expenses	0.7	(241.1)	(74.3)	140.8	64.0	46.2	88.7	21.1	(18.0)	(0.8)	37.0
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Washington Flyer Magazine Expenses</b>	<b>\$905.8</b>	<b>\$728.5</b>	<b>\$1,506.8</b>	<b>\$1,982.2</b>	<b>\$2,079.6</b>	<b>\$1,554.4</b>	<b>\$1,548.5</b>	<b>\$335.5</b>	<b>\$1,350.0</b>	<b>\$1,342.4</b>	<b>\$1,600.4</b>
<b>BOND FUNDS</b>											
Financing expenses	\$13.1	\$37.5	\$75.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.8	\$60.2	\$20.5
Legal Fees	1,434.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Materials, Equipment, Supplies											
Contract services, and other	2,712.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-Cash expenses	0.0	43.5	178.9	(1.0)	0.0	2,272.7	865.0	0.0	0.0	0.0	0.0
Non-Capitalized facility projects	269.6	0.0	0.0	0.0	0.0	0.0	22.9	0.0	0.0	0.0	0.0
Depreciation and amortization	80,628.8	72,613.9	66,895.3	64,398.7	60,794.3	57,688.6	44,605.3	9,717.0	31,862.6	27,397.0	16,249.4
<b>Total Bond Expenses</b>	<b>\$85,058.0</b>	<b>\$72,694.9</b>	<b>\$67,149.2</b>	<b>\$64,397.7</b>	<b>\$60,794.3</b>	<b>\$59,961.3</b>	<b>\$45,493.2</b>	<b>\$9,717.0</b>	<b>\$31,863.4</b>	<b>\$27,457.2</b>	<b>\$16,269.9</b>
<b>TELECOMMUNICATIONS</b>											
Telephone expenses	\$6,257.8	\$6,213.1	\$5,917.2	\$5,039.3	\$4,306.6	\$5,069.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Total Telecommunication Exp</b>	<b>\$6,257.8</b>	<b>\$6,213.1</b>	<b>\$5,917.2</b>	<b>\$5,039.3</b>	<b>\$4,306.6</b>	<b>\$5,069.3</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>VASTERA BUILDING<sup>1</sup></b>											
Vastera Building Expenses	\$1,231.1	\$1,671.5	\$1,288.8	\$871.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Total Vastera Building Exp</b>	<b>\$1,231.1</b>	<b>\$1,671.5</b>	<b>\$1,288.8</b>	<b>\$871.3</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>TOTAL EXPENSES</b>	<b>\$365,306.3</b>	<b>\$340,649.6</b>	<b>\$319,467.8</b>	<b>\$304,737.6</b>	<b>\$287,833.7</b>	<b>\$236,592.3</b>	<b>\$198,650.3</b>	<b>\$46,831.3</b>	<b>\$172,545.0</b>	<b>\$158,305.0</b>	<b>\$142,041.9</b>

Source: Office of Finance

<sup>1</sup>Vastera Building is inclusive of all expense classifications.

\* Concession management expenses included in Materials, equipment, supplies and contract services for years 2003, 2002, 2001, 2000 and 1999. (See Note T). All other years remain unchanged.

# REVENUES BY SOURCE

(Expressed in Thousands)

Exhibit S-2

	CY 2003*	CY 2002*	CY 2001*	CY 2000*	CY 1999*	CY 1998	CY 1997	OCT. 1 1996- DEC. 31 1996	FY 1996	FY 1995	FY 1994
<b>NATIONAL</b>											
Airline:											
Rents	\$53,802.5	\$60,453.8	\$62,948.2	\$60,659.8	\$54,567.9	\$57,865.6	\$39,322.3	\$6,811.3	\$24,337.6	\$20,089.3	\$16,436.9
Landing fees	26,455.0	27,527.4	25,548.0	28,392.1	25,533.6	24,417.4	22,693.2	6,871.6	23,032.7	20,492.4	19,710.1
Passenger fees/Security	0.0	597.0	2,496.4	1,943.4	1,890.7	1,729.4	1,514.1	402.7	1,344.0	1,318.7	1,194.0
<b>Total Airline Revenues</b>	<b>\$80,257.5</b>	<b>\$88,578.2</b>	<b>\$90,992.6</b>	<b>\$90,995.3</b>	<b>\$81,992.2</b>	<b>\$84,012.4</b>	<b>\$63,529.6</b>	<b>\$14,085.6</b>	<b>\$48,714.3</b>	<b>\$41,900.4</b>	<b>\$37,341.0</b>
Non-Airline:											
Concessions:											
Parking	\$32,381.8	\$26,236.4	\$27,289.8	\$32,954.1	\$26,250.6	\$17,269.0	\$13,753.9	\$2,913.6	\$10,555.2	\$8,843.0	\$9,850.5
Rental cars	15,189.2	14,239.8	9,627.4	13,232.6	13,335.0	14,672.2	13,969.2	3,077.8	11,610.5	11,843.4	9,549.8
Terminal concessions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Food and beverage	3,213.8	2,677.0	1,582.3	2,645.9	2,581.0	2,103.1	1,929.5	356.4	1,677.7	1,686.8	1,448.3
News stands	1,653.8	1,653.1	726.2	1,514.7	1,371.6	987.8	853.8	53.2	207.2	320.6	353.6
Retail	1,894.1	1,640.7	1,465.7	2,115.6	2,478.7	2,180.8	1,864.1	118.4	461.1	713.5	787.0
Display advertising	3,170.5	2,229.0	2,194.6	855.0	835.6	641.2	943.2	235.6	908.2	1,092.0	1,029.0
Services	208.9	216.5	53.4	337.4	259.2	120.1	1,047.6	366.9	1,088.9	1,056.5	659.1
Inflight catering	735.4	1,149.1	1,811.6	1,907.0	1,768.3	1,578.0	1,439.6	345.1	1,529.7	1,544.3	1,651.6
Fixed base operator	0.0	473.4	1,591.7	2,433.3	2,316.7	1,178.3	464.7	201.1	770.1	789.9	932.5
Duty free	0.0	0.1	2.8	6.2	7.2	36.0	412.0	144.2	427.8	415.1	258.9
All other	2,734.2	2,858.0	2,135.9	3,117.1	2,161.1	506.9	415.0	144.1	427.8	415.1	258.9
<b>Total Concessions</b>	<b>\$61,181.7</b>	<b>\$53,373.1</b>	<b>\$48,481.4</b>	<b>\$61,118.9</b>	<b>\$53,365.0</b>	<b>\$41,273.4</b>	<b>\$37,092.6</b>	<b>\$7,956.4</b>	<b>\$29,664.2</b>	<b>\$28,720.2</b>	<b>\$26,779.2</b>
Rents	6,570.7	4,588.1	3,308.4	7,219.3	11,700.5	6,816.5	7,322.3	1,690.2	3,075.2	5,162.5	3,069.7
Security	1,083.0	1,197.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Utility sales	1,731.5	1,516.1	2,216.8	3,175.6	2,715.2	3,296.6	3,396.4	978.8	3,533.4	3,515.2	3,772.4
Other	694.1	1,273.1	1,235.0	1,679.9	1,717.3	541.1	685.5	408.9	802.2	686.7	664.3
<b>Total Non-Airline Revenue</b>	<b>\$71,261.0</b>	<b>\$61,947.4</b>	<b>\$55,241.6</b>	<b>\$73,193.7</b>	<b>\$69,498.0</b>	<b>\$51,927.6</b>	<b>\$48,496.8</b>	<b>\$11,034.3</b>	<b>\$37,075.0</b>	<b>\$38,084.6</b>	<b>\$34,285.6</b>
<b>Total National Revenues</b>	<b>\$151,518.5</b>	<b>\$150,525.6</b>	<b>\$146,234.2</b>	<b>\$164,189.0</b>	<b>\$151,490.2</b>	<b>\$135,940.0</b>	<b>\$112,026.4</b>	<b>\$25,119.9</b>	<b>\$85,789.3</b>	<b>\$79,985.0</b>	<b>\$71,626.6</b>
<b>DULLES</b>											
Airline:											
Rents	\$62,281.4	\$55,332.7	\$48,685.3	\$46,686.0	\$45,596.7	\$38,674.3	\$32,392.7	\$6,995.2	\$25,038.5	\$23,934.4	\$19,843.2
Landing fees	41,182.3	36,440.0	30,232.4	30,365.4	20,418.5	22,764.4	17,111.2	4,222.6	19,595.0	17,513.3	16,933.9
International Arrival Building fees	12,768.8	10,526.6	10,107.2	9,274.6	9,988.4	7,465.5	5,090.7	1,540.0	7,312.5	8,074.9	7,485.9
Passenger Fees	12,477.8	13,256.1	11,842.3	13,680.0	13,495.3	12,989.7	9,621.6	2,425.0	8,536.1	7,945.2	8,471.5
<b>Total Airline Revenues</b>	<b>\$128,710.3</b>	<b>\$115,555.4</b>	<b>\$100,867.2</b>	<b>\$100,006.0</b>	<b>\$89,498.9</b>	<b>\$81,893.9</b>	<b>\$64,216.2</b>	<b>\$15,182.8</b>	<b>\$60,482.1</b>	<b>\$57,467.8</b>	<b>\$52,734.5</b>
Non-Airline:											
Concessions:											
Parking	\$47,407.9	\$42,923.2	\$39,942.8	\$46,411.9	\$46,331.4	\$23,584.2	\$19,551.1	\$4,338.9	\$17,440.1	\$14,092.9	\$13,681.4
Rental cars	11,313.6	11,410.8	11,686.7	13,177.5	13,013.2	10,621.2	9,389.5	1,736.4	8,095.2	6,854.8	6,262.2
Terminal concessions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Food and beverage	3,724.1	3,563.1	3,557.6	3,751.0	3,666.3	2,348.2	1,960.7	423.3	1,802.6	1,389.5	1,558.2
News stands	1,551.6	1,441.5	1,431.6	1,442.1	1,330.6	1,103.5	604.6	187.7	681.4	775.0	875.5
Retail	1,537.8	1,384.1	1,802.8	1,477.8	1,488.0	668.2	253.2	80.4	292.1	332.2	375.2
Display advertising	3,171.9	3,203.2	3,350.0	645.0	645.0	645.0	717.6	188.9	666.5	641.3	604.3
Services	4,194.9	3,867.1	4,073.3	4,058.9	4,249.7	2,325.5	2,022.5	679.1	2,164.9	1,725.9	1,212.7
Inflight catering	4,470.3	5,079.0	5,268.6	5,499.3	4,886.9	4,144.2	3,776.5	666.9	3,594.0	3,693.6	3,193.6
Fixed base operator	4,381.6	3,546.9	2,646.6	2,414.5	2,635.3	2,488.6	1,339.6	314.9	1,016.8	1,039.5	1,176.9
Duty free	2,016.9	1,732.3	1,916.6	2,455.2	2,830.9	2,534.0	2,104.7	695.2	2,216.4	1,767.0	1,241.6
All other	926.4	1,166.1	100.1	1,101.5	387.6	40.3	722.2	242.5	773.1	616.4	433.1
<b>Total Concessions</b>	<b>\$84,697.0</b>	<b>\$79,317.3</b>	<b>\$75,776.7</b>	<b>\$82,434.7</b>	<b>\$81,464.9</b>	<b>\$50,502.9</b>	<b>\$42,442.2</b>	<b>\$9,554.2</b>	<b>\$38,743.1</b>	<b>\$32,928.1</b>	<b>\$30,614.7</b>
Rents	6,117.7	\$4,888.4	4,943.6	3,987.5	5,772.4	4,393.6	3,451.6	845.2	6,145.8	4,310.9	2,957.3
Security	1,549.3	\$1,944.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Utility sales	4,775.5	4,586.8	4,261.6	4,305.0	4,040.2	4,335.7	2,983.7	967.0	3,999.7	3,695.4	3,892.8
Other	2,980.8	3,058.9	2,606.0	3,299.5	854.7	1,434.7	1,074.2	349.2	685.4	685.7	730.4
<b>Total Non-Airline Revenues</b>	<b>\$100,120.3</b>	<b>\$93,796.1</b>	<b>\$87,587.9</b>	<b>\$94,026.7</b>	<b>\$92,132.2</b>	<b>\$60,666.9</b>	<b>\$49,951.7</b>	<b>\$11,715.6</b>	<b>\$49,574.0</b>	<b>\$41,620.1</b>	<b>\$38,195.2</b>
<b>Total Dulles Revenues</b>	<b>\$228,830.6</b>	<b>\$209,351.5</b>	<b>\$188,455.1</b>	<b>\$194,032.7</b>	<b>\$181,631.1</b>	<b>\$142,560.8</b>	<b>\$114,167.9</b>	<b>\$26,898.4</b>	<b>\$110,056.1</b>	<b>\$99,087.9</b>	<b>\$90,929.7</b>
<b>WASHINGTON FLYER</b>											
Ground Transportation:											
Rents	\$67.2	\$67.2	\$67.2	\$63.3	\$71.5	\$84.3	\$69.9	\$4.2	\$17.0	\$17.0	\$17.0
Concessions	217.0	127.5	383.3	500.0	478.9	281.7	129.0	0.0	0.0	0.0	0.0
Ground Transportation - other	958.8	1,081.6	2,250.4	3,431.8	3,788.2	4,464.4	4,751.8	1,205.4	5,381.0	4,897.2	4,591.4
<b>Total Ground Transportation</b>	<b>\$1,243.0</b>	<b>\$1,276.3</b>	<b>\$2,700.9</b>	<b>\$3,995.1</b>	<b>\$4,338.6</b>	<b>\$4,830.4</b>	<b>\$4,950.7</b>	<b>\$1,209.6</b>	<b>\$5,398.0</b>	<b>\$4,914.2</b>	<b>\$4,608.4</b>
Magazine											
Advertising - other	\$722.1	\$974.1	\$1,151.0	\$1,576.1	\$1,509.8	\$1,041.7	\$928.7	\$104.1	\$776.9	\$967.8	\$991.1
<b>Total Magazine Revenues</b>	<b>\$722.1</b>	<b>\$974.1</b>	<b>\$1,151.0</b>	<b>\$1,576.1</b>	<b>\$1,509.8</b>	<b>\$1,041.7</b>	<b>\$928.7</b>	<b>\$104.1</b>	<b>\$776.9</b>	<b>\$967.8</b>	<b>\$991.1</b>
<b>TELECOMMUNICATIONS</b>											
<b>Total Telephone Revenues</b>	<b>\$5,361.0</b>	<b>\$4,485.5</b>	<b>\$5,835.7</b>	<b>\$5,632.7</b>	<b>\$3,710.8</b>	<b>\$3,171.7</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>VASTERA BUILDING</b>											
<b>Total Vastera Bldg. Revenues<sup>1</sup></b>	<b>\$1,963.1</b>	<b>\$2,225.0</b>	<b>\$2,438.1</b>	<b>\$1,062.9</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>
<b>TOTAL REVENUES</b>	<b>\$389,638.3</b>	<b>\$368,838.0</b>	<b>\$346,815.0</b>	<b>\$370,488.5</b>	<b>\$342,680.5</b>	<b>\$287,544.6</b>	<b>\$232,073.7</b>	<b>\$53,332.0</b>	<b>\$202,020.3</b>	<b>\$184,954.9</b>	<b>\$168,155.8</b>

Source: Office of Finance

\* Concession Management expenses included as operating expenses for years 2003, 2002, 2001, 2000 and 1999. (See Note T)  
All other years remain unchanged.

<sup>1</sup> Vastera Building revenues include rents and utilities.

## 2003 National Airport Revenues

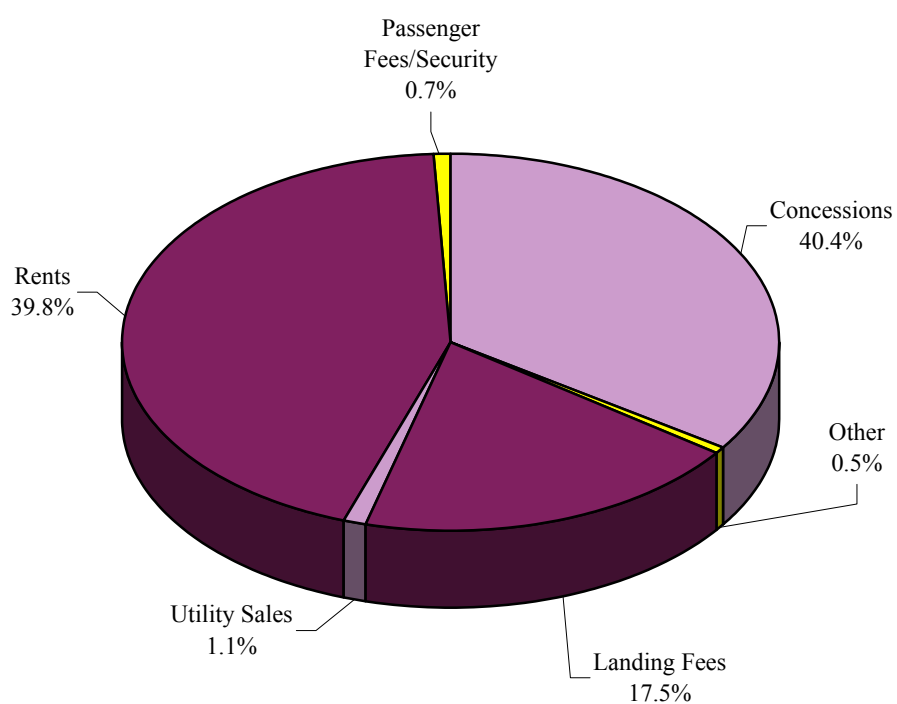


Exhibit S-4

## 2003 Dulles Airport Revenues

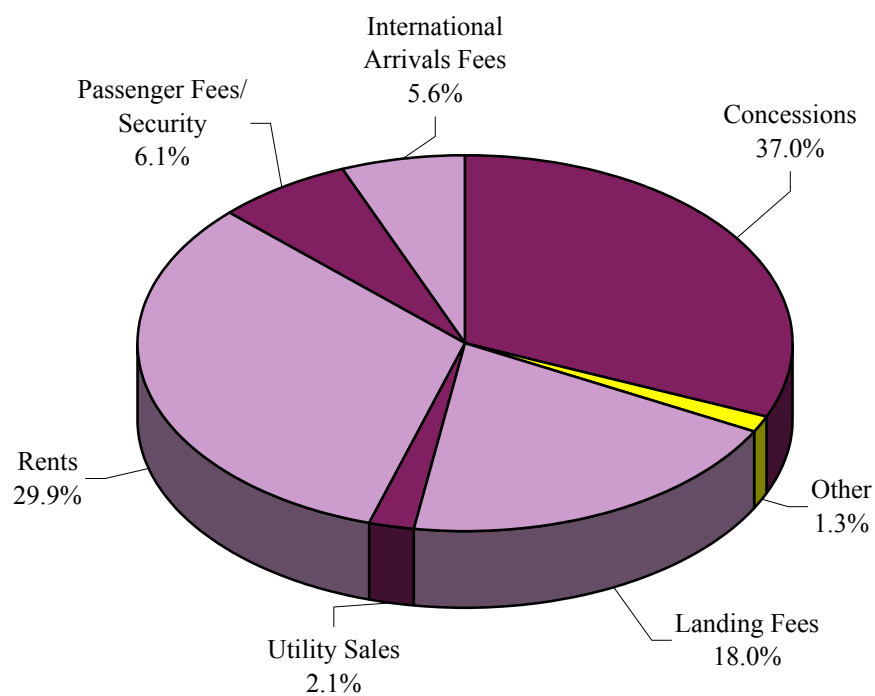
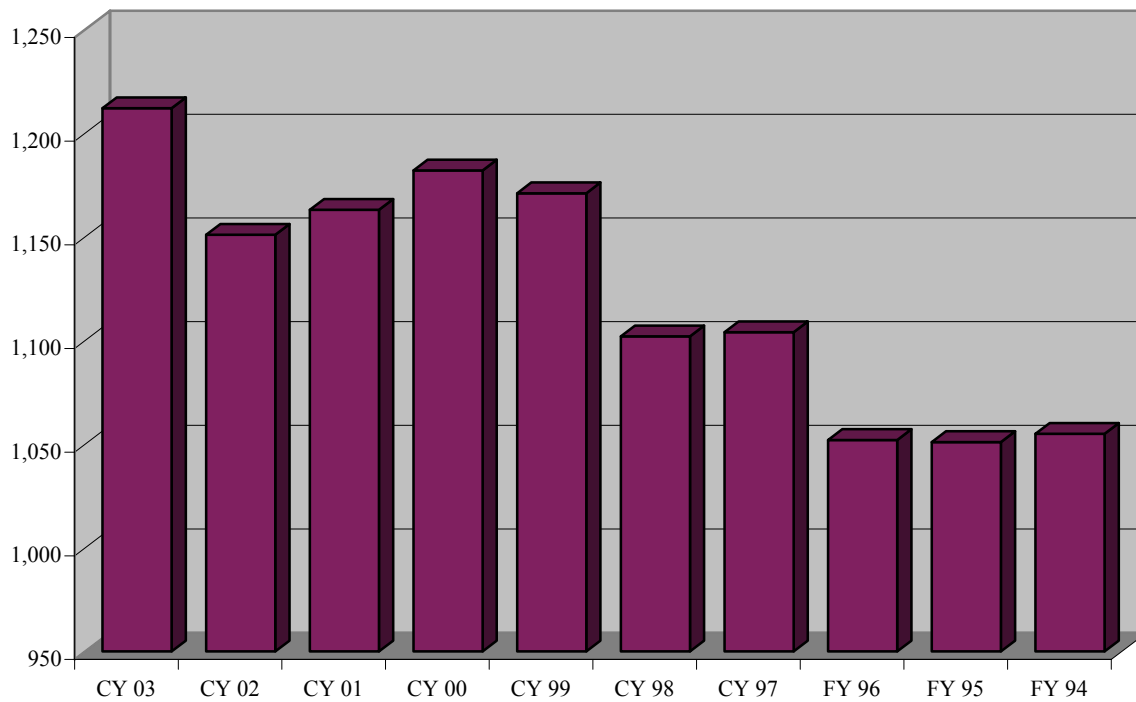


Exhibit S-5

## Airports Authority Employee Strength



**POPULATION TRENDS****Exhibit S-6****Metropolitan Statistical Area - Last Ten Years**

(Expressed in Thousands)

JURISDICTION	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
District of Columbia	570.9	571.8	572.1	519.0	523.1	529.0	543.2	554.3	585.0	593.6
Arlington County, VA	189.9	187.5	189.6	188.1	187.1	186.4	185.5	184.0	184.0	180.1
City of Alexandria, VA	130.8	128.8	128.3	121.7	119.5	117.6	117.3	117.0	116.4	116.0
<b>Central Jurisdictions</b>	<b>891.6</b>	<b>888.1</b>	<b>890.0</b>	<b>828.8</b>	<b>829.7</b>	<b>833.0</b>	<b>846.0</b>	<b>855.3</b>	<b>885.4</b>	<b>889.7</b>
Montgomery County, MD	910.2	891.3	873.3	850.5	841.5	784.5	771.5	762.8	755.6	732.7
Prince George's County, MD	833.1	816.8	801.5	781.8	777.8	776.3	773.8	767.4	764.1	752.8
Fairfax County, VA	997.6	985.2	969.7	946.4	931.5	882.8	899.7	879.4	863.1	865.0
City of Fairfax, VA	22.1	21.7	21.5	20.7	20.3	20.2	20.0	20.0	20.0	20.0
City of Falls Church, VA	10.7	10.6	10.4	10.2	10.0	10.0	10.0	10.0	9.8	9.8
<b>Inner Suburbs</b>	<b>2,773.7</b>	<b>2,725.6</b>	<b>2,676.4</b>	<b>2,609.6</b>	<b>2,581.1</b>	<b>2,473.8</b>	<b>2,475.0</b>	<b>2,486.8</b>	<b>2,412.6</b>	<b>2,380.3</b>
Loudoun County, VA	204.1	190.9	169.6	156.4	141.8	133.5	123.8	112.5	103.5	97.7
Prince William County, VA	311.9	298.7	280.8	277.4	268.9	260.3	253.5	250.0	243.6	235.8
Independent Cities 2/	48.2	46.4	45.4	44.3	44.3	43.3	41.2	39.7	38.2	36.3
Frederick County, MD	209.1	203.8	195.3	192.7	189.9	185.5	180.8	174.2	172.6	174.4
Calvert County, MD	80.9	78.3	74.6	74.0	71.9	70.0	66.8	64.6	63.0	57.0
Charles County, MD	129	125.4	120.5	120.9	118.0	118.1	113.6	111.3	110.6	110.0
Stafford County, VA	104.8	99.7	92.4	95.7	91.0	88.3	82.5	80.3	69.3	66.1
<b>Outer Suburbs</b>	<b>1,088.0</b>	<b>1,043.2</b>	<b>978.6</b>	<b>961.4</b>	<b>925.8</b>	<b>899.0</b>	<b>862.2</b>	<b>832.6</b>	<b>800.8</b>	<b>777.3</b>
<b>DC-MD-VA Metropolitan Statistical Area</b>	<b>4,753.3</b>	<b>4,656.9</b>	<b>4,545.0</b>	<b>4,399.8</b>	<b>4,336.6</b>	<b>4,205.8</b>	<b>4,183.2</b>	<b>4,174.7</b>	<b>4,098.8</b>	<b>4,047.3</b>

1/ The 1990 Census population values may not reflect trends indicated by the previous years' population estimates prepared by the local governments due to differences in methodology and computation.

2/ Cities of Manassas and Manassas Park.

Source: Metropolitan Washington Council of Governments  
Prepared by the Office of Finance

**AIRCRAFT OPERATIONS****Exhibit S-7****Takeoff and Landing Operations*****Ronald Reagan Washington National Airport***

<b>FISCAL YEAR</b>	<b>MAJOR/ NATIONALS</b>	<b>REGIONAL/ COMMUTERS</b>	<b>GENERAL AVIATION</b>	<b>MILITARY</b>	<b>TOTAL</b>
2003	139,343	109,085	2,087	287	250,802
2002	139,259	73,078	2,255	1,099	215,691
2001	159,347	47,650	32,290	4,721	244,008
2000	188,285	59,695	44,592	5,307	297,879
1999	182,589	54,664	48,557	5,955	291,765
1998	185,926	56,274	49,290	5,603	297,093
1997	185,334	63,808	50,212	5,282	304,636
1996	179,852	64,861	48,503	4,834	298,050
1995	188,757	63,681	51,356	3,034	306,828
1994	188,706	61,906	54,351	2,762	307,725

***Washington Dulles International Airport***

<b>FISCAL YEAR</b>	<b>MAJOR/ NATIONALS</b>	<b>REGIONAL/ COMMUTERS</b>	<b>GENERAL AVIATION</b>	<b>MILITARY</b>	<b>TOTAL</b>
2003	232,112	27,833	73,668	1,784	335,397
2002	262,063	26,957	81,732	1,884	372,636
2001	300,051	27,548	62,643	6,634	396,876
2000	336,467	52,847	59,417	7,705	456,436
1999	346,683	49,782	64,429	8,192	469,086
1998	283,115	25,754	65,842	7,431	382,142
1997	240,861	29,238	62,402	7,063	339,564
1996	231,120	27,561	54,565	6,976	320,222
1995	220,613	23,177	49,441	7,594	300,825
1994	196,154	27,880	52,028	7,154	283,216

Source: Office of Air Service Development  
Prepared by the Office of Finance

**LANDED WEIGHTS**

(Expressed in Thousands of Pounds)

***Ronald Reagan Washington National Airport***

AIRLINE	CY 2002		CY 2002		CY 2001		CY 2000		CY 1999	
	Landed Weights	Share	Landed Weights	Share	Landed Weights	Share	Landed Weights	Share	Landed Weights	Share
US Airways	3,059,815	27.78%	3,115,677	30.26%	3,615,979	32.64%	3,952,238	30.94%	3,257,041	26.96%
Delta Airlines	1,489,855	13.53%	1,713,594	16.64%	2,191,172	19.78%	2,415,506	18.91%	2,346,724	19.42%
American Airlines	1,373,895	12.47%	1,311,095	12.73%	1,187,911	10.72%	1,449,620	11.35%	1,487,965	12.31%
Northwest Airlines	916,221	8.32%	779,922	7.57%	741,852	6.70%	901,926	7.06%	898,284	7.43%
United Airlines	615,931	5.59%	628,511	6.10%	598,303	5.40%	689,184	5.40%	727,179	6.02%
Continental Airlines	481,828	4.37%	534,108	5.19%	684,300	6.18%	852,278	6.67%	866,443	7.17%
Piedmont Aviation	232,511	2.11%	411,452	4.00%	160,547	1.45%	352,055	2.76%	368,258	3.05%
Midwest Express	272,663	2.48%	295,221	2.87%	224,447	2.03%	215,212	1.68%	175,712	1.45%
American Eagle(Flagship)	363,734	3.30%	231,222	2.25%	127,751	1.15%	83,298	0.65%	71,832	0.59%
America West Airlines	172,147	1.56%	189,006	1.84%	213,416	1.93%	125,394	0.98%	95,195	0.79%
PSA Airlines	177,332	1.61%	185,006	1.80%	58,305	0.53%	140,293	1.10%	141,752	1.17%
Mesa-US Airway Expr.	203,087	1.84%	165,325	1.61%	316,156	2.85%	199,255	1.56%	73,130	0.61%
American Trans Air	158,894	1.44%	146,007	1.42%	138,567	1.25%	156,211	1.22%	-	-
Air Canada	129,872	1.18%	136,149	1.32%	122,533	1.11%	171,101	1.34%	174,237	1.44%
Allegheny Commuter	152,041	1.38%	116,819	1.13%	13,153	0.12%	19,425	0.15%	25,832	0.21%
Continental Express	113,036	1.03%	67,618	0.66%	10,110	0.09%	1,809	0.01%	11,735	0.10%
Frontier Airlines	47,815	0.43%	43,199	0.42%	27,193	0.25%	10,260	0.08%	-	-
Midway Airlines	189,034	1.72%	38,243	0.37%	69,962	0.63%	97,939	0.77%	79,116	0.65%
Mesa-America West Exp.	-	-	16,403	0.16%	15,416	0.14%	15,604	0.12%	14,570	0.12%
Skyway Airlines	11,555	0.10%	5,654	0.05%	16,619	0.15%	13,016	0.10%	-	-
Trans World Airlines	-	-	-	-	290,335	2.62%	395,454	3.10%	431,724	3.57%
Spirit Airlines	8,060	0.07%	-	-	56,651	0.51%	12,848	0.10%	-	-
National Airlines	-	-	-	-	49,698	0.45%	13,068	0.10%	-	-
Mesa-Air Midwest	-	-	-	-	11,487	0.10%	16,308	0.13%	697	0.01%
Trans States	-	-	-	-	431	0.00%	85,704	0.67%	76,476	0.63%
Shuttle Inc.	-	-	-	-	-	-	388,448	3.04%	749,640	6.20%
Other 1/	844,257	7.67%	166,929	1.62%	135,409	1.22%	-	-	9,386	0.08%
<b>Total 2/</b>	<b>11,013,583</b>	<b>100.00%</b>	<b>10,297,160</b>	<b>100.00%</b>	<b>11,077,703</b>	<b>100.00%</b>	<b>12,773,454</b>	<b>100.00%</b>	<b>12,082,928</b>	<b>100.00%</b>

1/ Includes airlines no longer serving National or carriers with insignificant activity.

2/ Percentage may not add to 100 percent due to individual rounding.

Source: Office of Finance



## Exhibit S-8

CY 1998		FY 1997		FY 1996		FY 1995		FY 1994	
Landed		Landed		Landed		Landed		Landed	
Weights	Share	Weights	Share	Weights	Share	Weights	Share	Weights	Share
3,539,036	28.35%	3,546,565	27.72%	3,461,176	27.01%	3,757,903	27.38%	3,592,230	26.02%
2,253,345	18.05%	2,290,648	17.90%	2,257,071	17.62%	2,411,081	17.57%	2,391,030	17.32%
1,512,085	12.11%	1,556,567	12.17%	1,516,618	11.84%	1,695,032	12.35%	1,737,783	12.59%
855,381	6.85%	928,769	7.26%	955,079	7.45%	1,108,701	8.08%	1,403,429	10.17%
836,657	6.70%	880,094	6.88%	852,152	6.65%	840,968	6.13%	880,956	6.38%
865,589	6.93%	851,780	6.66%	935,240	7.30%	1,034,014	7.53%	970,118	7.03%
368,369	2.95%	466,736	3.65%	624,106	4.87%	747,706	5.45%	683,752	4.95%
166,201	1.33%	166,793	1.30%	148,697	1.16%	149,691	1.09%	106,311	0.77%
86,888	0.70%	87,476	0.68%	85,204	0.66%	79,857	0.58%	92,146	0.67%
110,890	0.89%	147,801	1.16%	146,947	1.15%	152,372	1.11%	153,057	1.11%
126,089	1.01%	121,451	0.95%	48,663	0.38%	6,053	0.04%	-	-
68,132	0.55%	15,571	0.12%	14,444	0.11%	14,833	0.11%	13,776	0.10%
-	-	155	0.00%	-	-	-	-	-	-
169,863	1.36%	147,991	1.16%	127,100	0.99%	38,458	0.28%	-	-
64,546	0.52%	65,936	0.52%	63,190	0.49%	68,912	0.50%	88,375	0.64%
11,137	0.09%	11,017	0.09%	3,146	0.02%	-	-	-	-
-	-	-	-	-	-	-	-	-	-
117,203	0.94%	125,004	0.98%	129,559	1.01%	75,492	0.55%	49,735	0.36%
564	0.00%	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
436,226	3.49%	445,878	3.48%	555,584	4.34%	617,106	4.50%	718,923	5.21%
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
77,053	0.62%	80,432	0.63%	58,367	0.46%	-	-	-	-
761,700	6.10%	777,600	6.08%	737,310	5.75%	766,940	5.59%	742,630	5.38%
55,874	0.45%	80,038	0.63%	93,203	0.73%	159,579	1.16%	180,017	1.30%
<b>12,482,829</b>	<b>100.00%</b>	<b>12,794,302</b>	<b>100.00%</b>	<b>12,812,858</b>	<b>100.00%</b>	<b>13,724,700</b>	<b>100.00%</b>	<b>13,804,270</b>	<b>100.00%</b>

**LANDED WEIGHTS**

(Expressed in Thousands of Pounds)

***Washington Dulles International Airport***

AIRLINE	2003		2002		2001		2000		1999	
	Landed Weights	Share	Landed Weights	Share	Landed Weights	Share	Landed Weights	Share	Landed Weights	Share
United Airlines	5,663,094	39.46%	6,127,511	39.82%	7,019,527	42.75%	7,384,117	41.81%	7,280,373	41.78%
Atlantic Coast	2,035,844	14.18%	2,217,292	14.41%	2,367,578	14.42%	2,251,159	12.75%	2,088,662	11.99%
American Airlines	777,149	5.41%	1,017,507	6.61%	858,456	5.23%	805,479	4.56%	806,544	4.63%
Delta Airlines	759,207	5.29%	985,854	6.41%	864,294	5.26%	838,037	4.75%	954,291	5.48%
British Airways	515,279	3.59%	564,804	3.67%	403,510	2.46%	426,999	2.42%	396,288	2.27%
Federal Express	410,858	2.86%	485,719	3.16%	465,973	2.84%	482,391	2.73%	517,919	2.97%
JetBlue Airways	361,958	2.52%	244,420	1.59%	-	-	-	-	-	-
Northwest Airlines	327,689	2.28%	479,618	3.12%	524,895	3.20%	474,675	2.69%	451,588	2.59%
Lufthansa	310,526	2.16%	311,217	2.02%	375,212	2.29%	339,781	1.92%	224,334	1.29%
Air France	296,325	2.06%	268,292	1.74%	252,435	1.54%	298,118	1.69%	248,597	1.43%
AirTrans (Valujet)	211,560	1.47%	214,929	1.40%	235,026	1.43%	244,114	1.38%	334,026	1.92%
US Airways	187,800	1.31%	249,266	1.62%	508,258	3.10%	1,446,769	8.19%	2,054,387	11.79%
Virgin Atlantic	181,611	1.27%	189,107	1.23%	217,233	1.32%	222,620	1.26%	187,022	1.07%
All Nippon	169,440	1.18%	168,644	1.10%	197,512	1.20%	203,232	1.15%	197,392	1.13%
Air Canada	166,472	1.16%	180,561	1.17%	217,438	1.32%	189,526	1.07%	120,821	0.69%
Austrian Airlines	143,237	1.00%	135,226	0.88%	120,737	0.74%	99,507	0.56%	81,022	0.46%
Continental Express	135,889	0.95%	118,366	0.77%	103,267	0.63%	100,403	0.57%	102,885	0.59%
America West	126,018	0.88%	8,813	0.06%	-	-	1,667	0.01%	41,109	0.24%
Swiss Air	116,028	0.81%	23,760	0.15%	139,788	0.85%	144,187	0.82%	25,034	0.14%
Airborne Express	115,109	0.80%	114,811	0.75%	111,900	0.68%	116,868	0.68%	128,035	0.73%
Korean Air	99,716	0.69%	96,944	0.63%	80,003	0.49%	104,536	0.59%	122,056	0.70%
Taca International	88,868	0.62%	89,792	0.58%	70,489	0.43%	52,878	0.30%	56,041	0.32%
United Parcel Service	79,890	0.56%	76,392	0.50%	66,928	0.41%	58,705	0.33%	5,141	0.03%
Saudi Arabian	70,397	0.49%	77,214	0.50%	89,230	0.54%	85,632	0.49%	96,405	0.55%
Continental Airlines	60,142	0.42%	113,272	0.74%	143,190	0.87%	99,723	0.56%	75,143	0.43%
Ethiopian Airlines	40,874	0.28%	41,201	0.27%	42,492	0.26%	44,353	0.25%	34,727	0.20%
Colgan	33,716	0.23%	66,624	0.43%	109,330	0.67%	58,181	0.33%	19,356	0.11%
BWIA	27,400	0.19%	33,676	0.22%	33,983	0.21%	26,382	0.15%	4,343	0.02%
Allegheny	10,102	0.07%	37,866	0.25%	42,477	0.26%	50,884	0.29%	96,886	0.56%
Skyway Airlines	3,254	0.02%	25,644	0.17%	15,749	0.10%	1,336	0.01%	-	-
Mountain Air Cargo	362	0.00%	222	0.00%	6,284	0.04%	922	0.01%	1,443	0.01%
Mesa Airlines	85	0.00%	-	-	3,359	0.02%	106,597	0.60%	17,245	0.10%
Midwest Express	-	-	44,878	0.29%	65,183	0.40%	96,546	0.55%	19,687	0.11%
Trans World Airlines	-	-	-	-	133,576	0.81%	159,123	0.90%	158,442	0.91%
Sabena	-	-	-	-	104,034	0.63%	126,324	0.72%	16,236	0.09%
SpanAir	-	-	-	-	72,860	0.44%	105,059	0.60%	69,386	0.40%
Emery Worldwide	-	-	-	-	70,786	0.43%	129,908	0.74%	124,032	0.71%
CommutAir	-	-	-	-	5,796	0.04%	166,796	0.94%	128,784	0.74%
PSA Airlines	-	-	-	-	2,187	0.01%	52,559	0.30%	58,538	0.34%
Legend Airlines	-	-	-	-	-	-	58,397	0.33%	-	-
Other 1/	826,770	5.76%	580,070	3.77%	278,147	1.69%	-	-	82,168	0.47%
<b>TOTAL 2/</b>	<b>14,352,669</b>	<b>100.00%</b>	<b>15,389,512</b>	<b>100.00%</b>	<b>16,419,122</b>	<b>100.00%</b>	<b>17,654,490</b>	<b>100.00%</b>	<b>17,426,388</b>	<b>100.00%</b>

1/ Includes airlines no longer serving National or carriers with insignificant activity.

2/ Percentage may not add to 100 percent due to individual rounding.

Source: Office of Finance

## Exhibit S-9

1998		1997		1996		1995		1994	
Landed Weights	Share	Landed Weights	Share	Landed Weights	Share	Landed Weights	Share	Landed Weights	Share
5,604,481	38.90%	5,026,791	40.07%	4,980,045	41.84%	5,056,376	45.15%	5,422,538	47.64%
1,743,644	12.10%	1,216,429	9.70%	1,123,480	9.44%	1,191,744	10.64%	1,314,526	11.55%
827,159	5.74%	826,114	6.59%	837,080	7.03%	766,717	6.85%	821,079	7.21%
1,011,874	7.02%	961,575	7.66%	697,707	5.86%	570,835	5.10%	546,672	4.80%
403,397	2.80%	325,860	2.60%	304,188	2.56%	284,005	2.54%	312,181	2.74%
548,681	3.81%	427,701	3.41%	358,658	3.01%	336,972	3.01%	278,149	2.44%
-	-	-	-	-	-	-	-	-	-
386,365	2.68%	380,488	3.03%	366,698	3.08%	224,810	2.01%	210,962	1.85%
224,563	1.56%	212,679	1.70%	213,246	1.79%	181,456	1.62%	147,403	1.30%
220,667	1.53%	216,790	1.73%	179,421	1.51%	177,118	1.58%	185,506	1.63%
521,334	3.62%	376,101	3.00%	610,886	5.13%	544,653	4.86%	93,555	0.82%
639,162	4.44%	539,267	4.30%	657,535	5.52%	380,997	3.40%	307,563	2.70%
149,672	1.04%	188,558	1.50%	45,549	0.38%	-	-	-	-
162,292	1.13%	121,836	0.97%	115,300	0.97%	91,648	0.82%	90,424	0.79%
116,732	0.81%	98,381	0.78%	86,735	0.73%	21,014	0.19%	-	-
95,985	0.67%	88,114	0.70%	49,683	0.42%	23,525	0.21%	-	-
133,675	0.93%	168,219	1.34%	82,536	0.69%	26,389	0.24%	65,474	0.58%
82,484	0.57%	49,558	0.40%	-	-	-	-	-	-
-	-	15,932	0.13%	63,630	0.53%	94,500	0.84%	121,953	1.07%
127,845	0.89%	92,476	0.74%	82,894	0.70%	77,646	0.69%	64,002	0.56%
120,888	0.84%	122,056	0.97%	106,872	0.90%	17,520	0.16%	-	-
107,483	0.75%	199,947	1.59%	183,180	1.54%	171,861	1.53%	170,409	1.50%
55,871	0.39%	41,115	0.33%	45,515	0.38%	38,172	0.34%	36,577	0.32%
98,296	0.68%	73,722	0.59%	73,092	0.61%	73,722	0.66%	73,092	0.64%
78,479	0.54%	83,489	0.67%	47,315	0.40%	899	0.01%	174,567	1.53%
18,969	0.13%	-	-	-	-	-	-	-	-
24,369	0.17%	4,167	0.03%	266	0.00%	1,386	0.01%	4,657	0.04%
-	-	-	-	-	-	-	-	-	-
19,493	0.14%	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
5,043	0.04%	14,974	0.12%	15,887	0.13%	25,604	0.23%	14,245	0.13%
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
140,391	0.97%	142,685	1.14%	162,853	1.37%	163,009	1.46%	304,067	2.67%
-	-	-	-	-	-	-	-	-	-
68,336	0.47%	7,664	0.06%	-	-	-	-	-	-
80,501	0.56%	75,555	0.60%	55,126	0.46%	45,754	0.41%	53,205	0.47%
44,082	0.31%	43,615	0.35%	42,081	0.35%	32,393	0.29%	20,560	0.18%
20,767	0.14%	23,100	0.18%	45,005	0.38%	19,602	0.18%	-	-
-	-	-	-	-	-	-	-	-	-
523,192	3.63%	380,389	3.03%	270,986	2.28%	557,856	4.98%	547,843	4.81%
<b>14,406,169</b>	<b>100.00%</b>	<b>12,545,346</b>	<b>100.00%</b>	<b>11,903,448</b>	<b>100.00%</b>	<b>11,198,183</b>	<b>100.00%</b>	<b>11,381,209</b>	<b>100.00%</b>

**ENPLANEMENTS****Exhibit S-10***Ronald Reagan Washington National Airport*

YEAR	NATIONAL ENPLANEMENTS	ANNUAL GROWTH	TOTAL U.S. ENPLANEMENTS 1/	ANNUAL GROWTH
CY 2003	7,068,524	9.6%	498,755,000 2/3/&4/	-3.2%
CY 2002	6,448,970	-1.7%	515,159,000 3/	-13.4%
CY 2001	6,563,151	-16.5%	594,902,000 3/	-1.8%
CY 2000	7,855,373	4.7%	605,829,000 2/	5.1%
CY 1999	7,500,866	-5.0%	576,451,000 2/	3.5%
CY 1998	7,895,144	0.3%	556,709,000 2/	2.5%
CY 1997	7,875,228	3.8%	542,957,000 2/	3.5%
FY 1996	7,583,770	-1.7%	524,469,000 2/	5.7%
FY 1995	7,716,509	-1.6%	496,310,000 2/	5.1%
FY 1994	7,842,088	-0.9%	472,086,000 2/	8.8%

1/ Based on FAA's fiscal year October through September.

2/ Projected.

3/ As of 2003 Regional Carriers are no longer reported by FAA.

4/ Excludes International Carrier (US Airways).

Sources: Office of Air Service Development, ACT-NA, Worldwide Airport Traffic Report, FAA Records  
 Prepared by the Office of Finance

## ENPLANEMENTS

Exhibit S-11

*Washington Dulles International Airport  
Domestic Activity*

YEAR	DULLES DOMESTIC ENPLANEMENTS	ANNUAL GROWTH	TOTAL U.S. ENPLANEMENTS /1	ANNUAL GROWTH
CY 2003	6,371,646	-1.9%	498,755,000 2/&3/	-3.2%
CY 2002	6,497,774	-6.6%	515,159,000 3/	-13.4%
CY 2001	6,958,698	-11.8%	594,902,000 3/	-1.8%
CY 2000	7,888,431	-1.0%	605,829,000 2/	5.1%
CY 1999	7,967,389	28.7%	576,451,000 2/	3.5%
CY 1998	6,188,759	16.7%	556,709,000 2/	2.5%
CY 1997	5,303,188	4.8%	542,957,000 2/	3.5%
FY 1996	5,060,619	10.0%	524,469,000 2/	5.7%
FY 1995	4,600,617	4.1%	496,310,000 2/	5.1%
FY 1994	4,418,018	3.7%	472,086,000 2/	8.8%
FY 1993	4,260,793	-8.3%	434,038,000 2/	3.1%

*International Activity*

YEAR	DULLES INTERNATIONAL ENPLANEMENTS	ANNUAL GROWTH	TOTAL U.S. ENPLANEMENTS 1/	ANNUAL GROWTH
CY 2003	1,994,840	-1.1%	50,705,000 2/&3/	1.5%
CY 2002	2,017,724	2.9%	49,980,000 3/	-9.1%
CY 2001	1,961,394	-5.8%	54,990,000 3/	0.4%
CY 2000	2,083,201	13.1%	54,760,000 2/	2.8%
CY 1999	1,841,705	14.0%	53,286,000 2/	0.3%
CY 1998	1,615,203	9.7%	53,116,000 2/	1.6%
CY 1997	1,472,808	8.3%	52,304,000 2/	4.6%
FY 1996	1,359,586	1.2%	50,018,000 2/	3.0%
FY 1995	1,343,998	1.1%	48,553,000 2/	4.8%
FY 1994	1,329,716	14.6%	46,318,000 2/	2.5%
FY 1993	1,159,982	18.3%	45,203,000 2/	5.9%

1/ Based on FAA's fiscal year October through September.

2/ Projected.

3/ As of 2003 Regional Carriers are no longer reported by FAA.

Sources: Office of Air Service Development, ACI-NA, Worldwide Airport Traffic Report, FAA Records  
 Prepared by the Office of Finance

**ENPLANEMENT MARKET SHARE*****Ronald Reagan Washington National Airport***

Airline	CY 2003		CY 2002		CY 2001		CY 2000		CY 1999	
	Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share
US Airways	1,895,630	26.82%	1,797,035	27.87%	2,049,010	31.22%	2,351,814	29.94%	2,038,006	27.17%
Delta Airlines	1,050,133	14.86%	1,139,754	17.67%	1,247,114	19.00%	1,458,645	18.57%	1,381,439	18.42%
American Airlines	955,780	13.52%	921,433	14.29%	771,529	11.76%	1,013,424	12.90%	995,915	13.28%
Northwest Airlines	587,036	8.30%	522,216	8.10%	480,359	7.32%	580,364	7.39%	574,881	7.66%
United Airlines	398,713	5.64%	392,739	6.09%	372,984	5.68%	411,947	5.24%	462,826	6.17%
Continental Airlines	306,612	4.34%	326,253	5.06%	409,712	6.24%	546,340	6.95%	571,279	7.62%
Comair	243,627	3.45%	46,716	0.72%	-	-	22,759	0.29%	10,998	0.15%
American Eagle(Flagship)	198,460	2.81%	133,539	2.07%	67,883	1.03%	70,044	0.89%	70,084	0.93%
Midwest Express	149,368	2.11%	142,933	2.22%	109,329	1.67%	105,799	1.35%	95,873	1.28%
America West Airlines	131,354	1.86%	122,745	1.90%	122,536	1.87%	55,432	0.71%	35,442	0.47%
American Trans Air	126,474	1.79%	121,712	1.89%	105,944	1.61%	99,549	1.27%	-	-
Mesa-America West Exp.	122,932	1.74%	7,761	0.12%	5,299	0.08%	6,889	0.09%	5,625	0.07%
Midway Airlines	113,149	1.60%	19,798	0.31%	46,088	0.70%	64,629	0.82%	43,641	0.58%
PSA Airlines	112,774	1.60%	128,069	1.99%	34,511	0.53%	95,775	1.22%	102,252	1.36%
Piedmont Aviation	105,062	1.49%	198,769	3.08%	70,872	1.08%	164,970	2.10%	184,440	2.46%
Allegheny Commuter	86,410	1.22%	66,799	1.04%	2,933	0.04%	5,058	0.06%	9,528	0.13%
Air Canada	79,436	1.12%	83,654	1.30%	78,937	1.20%	108,709	1.38%	111,794	1.49%
Frontier Airlines	39,044	0.55%	36,058	0.56%	24,879	0.38%	10,511	0.13%	-	-
Spirit Airlines	8,854	0.13%	-	-	46,762	0.71%	10,161	0.13%	-	-
Skyway Airlines	6,602	0.09%	3,224	0.05%	9,503	0.14%	5,505	0.07%	-	-
Trans States	3,622	0.05%	-	-	174	0.00%	41,233	0.52%	36,094	0.48%
Mesa-US Airway Exp.	-	-	122,977	1.91%	229,441	3.50%	147,159	1.87%	87,171	1.16%
Trans World Airlines	-	-	-	-	173,781	2.65%	252,161	3.21%	268,939	3.59%
National Airlines	-	-	-	-	28,938	0.44%	6,459	0.08%	-	-
Shuttle Inc.	-	-	-	-	-	-	217,226	2.77%	397,982	5.31%
Other 1/	347,452	4.92%	114,786	1.78%	74,633	1.14%	2,811	0.04%	16,657	0.22%
<b>TOTAL 2/</b>	<b>7,068,524</b>	<b>100.00%</b>	<b>6,448,970</b>	<b>100.00%</b>	<b>6,563,151</b>	<b>100.00%</b>	<b>7,855,373</b>	<b>100.00%</b>	<b>7,500,866</b>	<b>100.00%</b>

1/ Includes airlines no longer serving National or carriers with insignificant activity.

2/ Percentage may not add to 100 percent due to individual rounding.

Source: Air Service Development

Prepared by the Office of Finance

## Exhibit S-12

CY 1998		CY 1997		FY 1996		FY 1995		FY 1994	
Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share
2,395,713	30.34%	2,357,172	29.93%	2,139,181	28.21%	2,192,036	28.41%	2,159,774	27.54%
1,347,212	17.06%	1,344,958	17.08%	1,318,367	17.38%	1,333,719	17.28%	1,349,849	17.21%
1,046,727	13.26%	1,070,476	13.59%	1,020,159	13.45%	1,087,094	14.09%	1,025,240	13.07%
528,412	6.69%	595,703	7.56%	605,258	7.98%	672,980	8.72%	791,105	10.09%
528,282	6.69%	511,556	6.50%	521,282	6.87%	492,918	6.39%	520,655	6.64%
562,575	7.13%	536,822	6.82%	580,767	7.66%	632,755	8.20%	572,322	7.30%
-	-	-	-	-	-	-	-	-	-
74,830	0.95%	74,060	0.94%	69,401	0.92%	64,256	0.83%	63,354	0.81%
88,573	1.12%	82,272	1.04%	71,123	0.94%	65,375	0.85%	50,464	0.64%
42,712	0.54%	72,975	0.93%	77,943	1.03%	67,381	0.87%	70,885	0.90%
-	-	-	-	-	-	-	-	-	-
228	0.00%	-	-	-	-	-	-	-	-
61,901	0.78%	64,360	0.82%	76,185	1.00%	30,074	0.39%	14,951	0.19%
92,746	1.17%	80,315	1.02%	28,275	0.37%	4,092	0.05%	-	-
209,232	2.65%	224,924	2.86%	260,696	3.44%	315,280	4.09%	327,951	4.18%
34,841	0.44%	31,918	0.41%	27,208	0.36%	31,301	0.41%	49,553	0.63%
104,466	1.32%	92,403	1.17%	78,441	1.03%	21,547	0.28%	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
32,285	0.41%	36,290	0.46%	25,331	0.33%	-	-	-	-
45,250	0.57%	8,795	0.11%	6,852	0.09%	5,700	0.07%	6,555	0.08%
241,883	3.06%	244,878	3.11%	269,872	3.56%	263,751	3.42%	366,831	4.68%
-	-	-	-	-	-	-	-	-	-
418,066	5.30%	392,195	4.98%	353,803	4.67%	349,516	4.53%	374,442	4.77%
39,210	0.50%	53,156	0.67%	53,626	0.71%	86,734	1.12%	98,157	1.25%
<b>7,895,144</b>	<b>100.00%</b>	<b>7,875,228</b>	<b>100.00%</b>	<b>7,583,770</b>	<b>100.00%</b>	<b>7,716,509</b>	<b>100.00%</b>	<b>7,842,088</b>	<b>100.00%</b>

## ENPLANEMENT MARKET SHARE

## Washington Dulles International Airport

AIRLINE	CY 2003		CY 2002		CY 2001		CY 2000		CY 1999	
	Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share
<b>DOMESTIC ENPLANEMENTS</b>										
United Airlines	2,459,604	38.60%	2,563,838	39.46%	3,065,872	44.06%	3,392,374	43.00%	3,261,891	40.94%
Atlantic Coast Airlines	1,507,624	23.66%	1,590,912	24.48%	1,602,357	23.03%	1,592,006	20.18%	1,493,213	18.74%
Delta Airlines	531,773	8.35%	665,661	10.24%	604,116	8.68%	639,591	8.11%	668,321	8.39%
American Airlines	438,793	6.89%	511,972	7.88%	433,586	6.23%	461,054	5.84%	449,534	5.64%
JetBlue	342,582	5.38%	219,135	3.37%	-	-	-	-	-	-
Northwest Airlines	174,280	2.74%	189,204	2.91%	235,265	3.38%	207,152	2.63%	182,022	2.28%
AirTran (Valujet)	166,607	2.61%	153,497	2.36%	190,661	2.74%	195,219	2.47%	204,057	2.56%
US Airways	118,315	1.86%	125,972	1.94%	303,648	4.36%	757,791	9.61%	1,164,790	14.62%
Continental Express	92,012	1.44%	69,275	1.07%	66,287	0.95%	63,648	0.81%	67,391	0.85%
America West	85,113	1.34%	5,551	0.09%	-	-	321	0.00%	15,836	0.20%
Comair	83,012	1.30%	74,551	1.15%	50,640	0.73%	86,885	1.10%	75,290	0.94%
Continental Airlines	39,506	0.62%	71,950	1.11%	89,553	1.29%	66,623	0.84%	47,708	0.60%
Colgan	17,983	0.28%	34,321	0.53%	56,210	0.81%	30,045	0.38%	4,525	0.06%
Chautauqua	4,588	0.07%	-	-	7,877	0.11%	5,476	0.07%	9,934	0.12%
Allegheny	2,012	0.03%	17,060	0.26%	21,269	0.31%	26,998	0.34%	47,552	0.60%
Skyway	939	0.01%	12,546	0.19%	10,878	0.16%	839	0.01%	-	-
Midwest Express	-	-	14,186	0.22%	28,191	0.41%	30,781	0.39%	8,487	0.11%
Falcon Air	-	-	152	0.00%	-	-	2,283	0.03%	46	0.00%
Trans World Airlines	-	-	-	-	67,245	0.97%	85,591	1.09%	99,973	1.25%
Sun Country	-	-	-	-	38,358	0.55%	35,407	0.45%	25,494	0.32%
Mesa (US Airways Express)	-	-	-	-	1,394	0.02%	80,350	1.02%	23,259	0.29%
CommutAir	-	-	-	-	942	0.01%	61,120	0.77%	58,386	0.73%
PSA Airlines	-	-	-	-	893	0.01%	33,152	0.42%	35,327	0.44%
Legend Airlines	-	-	-	-	-	-	24,823	0.31%	-	-
United Parcel Service - pax	-	-	-	-	-	-	103	0.00%	165	0.00%
Other 1/	306,903	4.82%	177,990	2.74%	83,456	1.20%	8,799	0.11%	24,196	0.30%
<b>TOTAL DOMESTIC 2/</b>	<b>6,371,646</b>	<b>100.00%</b>	<b>6,497,773</b>	<b>100.00%</b>	<b>6,958,698</b>	<b>100.00%</b>	<b>7,888,431</b>	<b>100.00%</b>	<b>7,967,397</b>	<b>100.00%</b>
<b>INTERNATIONAL ENPLANEMENTS</b>										
United Airlines	768,233	38.51%	801,230	39.71%	739,139	37.68%	850,389	40.82%	866,108	47.03%
British Airways	187,934	9.42%	181,694	9.00%	155,961	7.95%	192,643	9.25%	186,970	10.15%
Lufthansa	149,399	7.49%	153,186	7.59%	174,875	8.92%	166,574	8.00%	122,189	6.63%
Air France	139,751	7.01%	127,684	6.33%	119,792	6.11%	124,421	5.97%	107,560	5.84%
Air Canada	95,265	4.78%	110,409	5.47%	126,224	6.44%	114,982	5.52%	84,121	4.57%
Virgin Atlantic	82,415	4.13%	91,551	4.54%	105,259	5.37%	115,034	5.52%	96,554	5.24%
Austrian	76,242	3.82%	74,721	3.70%	58,962	3.01%	47,454	2.28%	48,481	2.63%
Taca International	72,989	3.66%	71,528	3.54%	57,470	2.93%	42,694	2.05%	41,880	2.27%
All Nippon	62,181	3.12%	65,680	3.26%	59,254	3.02%	77,451	3.72%	66,969	3.64%
Korean Air	46,316	2.32%	45,177	2.24%	37,840	1.93%	50,041	2.40%	27,179	1.48%
Swissair	43,394	2.18%	13,332	0.66%	52,447	2.67%	61,571	2.96%	10,945	0.59%
Northwest Airlines	25,068	1.26%	77,183	3.83%	72,763	3.71%	81,650	3.92%	84,592	4.59%
BWIA International	15,665	0.79%	17,694	0.88%	18,268	0.93%	12,885	0.62%	1,997	0.11%
Saudi Arabian	8,637	0.43%	12,393	0.61%	15,984	0.81%	15,139	0.73%	14,615	0.79%
Aeroflot Soviet Airlines	8,605	0.43%	10,972	0.54%	9,643	0.49%	9,150	0.44%	8,489	0.46%
Ethiopian	7,672	0.38%	7,331	0.36%	6,839	0.35%	8,428	0.40%	9,263	0.50%
TransMeridian	275	0.01%	58	0.00%	8,322	0.42%	271	0.01%	-	-
Sabena	-	-	-	-	43,648	2.23%	48,815	2.34%	3,856	0.21%
SpanAir	-	-	-	-	38,366	1.96%	52,813	2.54%	34,684	1.88%
Falcon Air	-	-	-	-	-	-	6,094	0.29%	121	0.01%
Allegro	-	-	-	-	-	-	3,938	0.19%	17,127	0.93%
Canada 3000	-	-	-	-	-	-	227	0.01%	-	-
Other 1/	204,799	10.27%	155,901	7.73%	60,338	3.08%	537	0.03%	8,004	0.43%
<b>TOTAL INT'L 2/</b>	<b>1,994,840</b>	<b>100.00%</b>	<b>2,017,724</b>	<b>100.00%</b>	<b>1,961,394</b>	<b>100.00%</b>	<b>2,083,201</b>	<b>100.00%</b>	<b>1,841,704</b>	<b>100.00%</b>

1/ Includes airlines no longer serving National or carriers with insignificant activity.

2/ Percentage may not add to 100 percent due to individual rounding.

Source: Office of Air Service Development

Prepared by the Office of Finance



## Exhibit S-13

CY 1998		CY 1997		FY 1996		FY 1995		FY 1994	
Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share
2,451,367	39.61%	2,251,346	42.45%	2,248,715	44.44%	2,210,091	48.04%	2,275,905	51.51%
1,242,590	20.08%	796,682	15.02%	734,338	14.51%	746,084	16.22%	754,091	17.07%
693,946	11.21%	591,023	11.14%	357,687	7.07%	263,119	5.72%	276,306	6.25%
472,059	7.63%	463,455	8.74%	436,168	8.62%	393,760	8.56%	362,967	8.22%
-	-	-	-	-	-	-	-	-	-
140,604	2.27%	142,323	2.68%	136,878	2.70%	127,272	2.77%	115,388	2.61%
343,519	5.55%	250,144	4.72%	400,759	7.92%	395,516	8.60%	81,032	1.83%
444,029	7.17%	391,558	7.38%	461,475	9.12%	242,082	5.26%	169,787	3.84%
24,297	0.39%	12,620	0.24%	7,509	0.15%	27,337	0.59%	25,059	0.57%
48,769	0.79%	40,770	0.77%	17,174	0.34%	-	-	92,902	2.10%
82,380	1.33%	88,422	1.67%	39,541	0.78%	11,392	0.25%	45,343	1.03%
5,497	0.09%	577	0.01%	35	0.00%	144	0.00%	379	0.01%
8,919	0.14%	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
42,404	0.69%	24,660	0.47%	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
74,033	1.20%	76,914	1.45%	85,271	1.68%	88,076	1.91%	112,947	2.56%
14,931	0.24%	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
22,837	0.37%	24,499	0.46%	20,374	0.40%	14,039	0.31%	10,718	0.24%
15,337	0.25%	17,453	0.33%	31,444	0.62%	11,502	0.25%	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
61,241	0.99%	130,742	2.47%	83,251	1.65%	70,203	1.53%	95,194	2.15%
<b>6,188,759</b>	<b>100.00%</b>	<b>5,303,188</b>	<b>100.00%</b>	<b>5,060,619</b>	<b>100.00%</b>	<b>4,600,617</b>	<b>100.00%</b>	<b>4,418,018</b>	<b>100.00%</b>
737,107	45.64%	681,268	46.26%	651,619	47.93%	714,011	53.13%	731,081	54.98%
183,516	11.36%	156,157	10.60%	153,760	11.31%	149,374	11.11%	148,323	11.15%
116,014	7.18%	114,357	7.76%	97,952	7.20%	97,520	7.26%	69,918	5.26%
91,166	5.64%	99,787	6.78%	87,818	6.46%	69,446	5.17%	63,257	4.76%
65,844	4.08%	61,579	4.18%	46,297	3.41%	8,686	0.65%	-	-
76,742	4.75%	85,573	5.81%	21,057	1.55%	-	-	-	-
76,783	4.75%	80,178	5.44%	71,996	5.30%	-	-	-	-
53,094	3.29%	44,551	3.02%	33,192	2.44%	17,801	1.32%	-	-
42,397	2.62%	33,612	2.28%	28,734	2.11%	26,648	1.98%	25,322	1.90%
55,261	3.42%	44,249	3.00%	40,524	2.98%	31,572	2.35%	32,523	2.45%
22,431	1.39%	21,956	1.49%	18,260	1.34%	2,915	0.22%	-	-
-	-	-	-	-	-	-	-	-	-
-	-	1,814	0.12%	6,529	0.48%	9,012	0.67%	13,056	0.98%
12,199	0.76%	11,814	0.80%	11,195	0.82%	10,752	0.80%	9,547	0.72%
9,600	0.59%	10,580	0.72%	11,514	0.85%	12,581	0.94%	13,347	1.00%
5,056	0.31%	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
29,373	1.82%	2,264	0.15%	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
7,247	0.45%	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
31,373	1.94%	23,069	1.57%	79,139	5.82%	193,680	14.41%	223,342	16.80%
<b>1,615,203</b>	<b>100.00%</b>	<b>1,472,808</b>	<b>100.00%</b>	<b>1,359,586</b>	<b>100.00%</b>	<b>1,343,998</b>	<b>100.00%</b>	<b>1,329,716</b>	<b>100.00%</b>

**CARGO MARKET SHARE ENPLANED**

(Expressed in Pounds)

**Ronald Reagan Washington National Airport**

Airline	CY 2003		CY 2002		CY 2001		CY 2000		CY 1999	
	Cargo Weight	Share	Cargo Weight	Share	Cargo Weight	Share	Cargo Weight	Share	Cargo Weight	Share
US Airways	1,832,745	39.70%	1,607,082	36.68%	8,306,573	24.78%	12,914,442	26.12%	13,081,732	26.72%
America West Airlines	499,521	10.82%	443,313	10.12%	1,059,059	3.16%	571,123	1.15%	235,044	0.48%
Continental Airlines	437,175	9.47%	663,111	15.13%	3,054,482	9.11%	4,247,501	8.59%	4,626,236	9.45%
Delta Airlines	315,869	6.84%	143,774	3.28%	3,905,915	11.65%	7,200,187	14.56%	8,100,191	16.55%
Midwest Express	300,996	6.52%	426,727	9.74%	1,202,290	3.59%	1,326,932	2.68%	1,446,392	2.95%
American Airlines	289,789	6.28%	399,616	9.12%	5,278,460	15.75%	7,621,476	15.41%	7,199,838	14.71%
Northwest Airlines	239,483	5.19%	331,498	7.57%	4,717,567	14.07%	7,312,454	14.79%	6,928,705	14.15%
United Airlines	221,887	4.81%	146,663	3.35%	2,559,076	7.63%	3,902,016	7.89%	3,759,316	7.68%
American Trans Air	87,735	1.90%	807	0.02%	561,322	1.67%	527,952	1.07%	-	-
Shuttle Inc.	63,627	1.38%	-	-	-	-	434,509	0.88%	818,942	1.67%
Comair	56,881	1.23%	87	0.00%	-	-	337	0.00%	78	0.00%
Piedmont Aviation	54,940	1.19%	66,069	1.51%	51,767	0.15%	171,159	0.35%	205,141	0.42%
Frontier Airlines	36,318	0.79%	6,199	0.14%	37,684	0.11%	54,064	0.11%	-	-
Allegheny Commuter	31,054	0.67%	8,927	0.20%	1,027	0.00%	1,704	0.00%	3,787	0.01%
PSA Airlines	20,246	0.44%	21,742	0.50%	12,634	0.04%	48,357	0.10%	38,543	0.08%
Continental Express	18,279	0.40%	22,775	0.52%	4,179	0.01%	1,868	0.00%	451	-
Midway Airlines	11,008	0.24%	1,772	0.04%	16,331	0.05%	86,034	0.17%	113,819	0.23%
Spirit Airlines	3,052	0.07%	-	-	2,319	0.01%	2,454	0.00%	-	-
American Eagle	2,800	0.06%	1,627	0.04%	-	-	2,725	0.01%	4,456	0.01%
Air Canada	708	0.02%	1,326	0.03%	1,100	0.00%	771	0.00%	208	0.00%
Skyway Airlines	314	0.01%	465	0.01%	23,317	0.07%	3,326	0.01%	-	-
Mesa-America W. Expr.	-	-	58,562	1.34%	4,693	0.01%	3,689	0.01%	23,673	0.05%
Trans World Airlines	-	-	-	-	2,352,248	7.02%	2,861,483	5.79%	2,359,544	4.82%
National Airlines	-	-	-	-	339,724	1.01%	153,174	0.31%	-	-
Other 1/	92,411	2.00%	29,326	0.67%	32,270	0.10%	-	-	5,109	0.01%
<b>TOTAL 2/</b>	<b>4,616,838</b>	<b>100.00%</b>	<b>4,381,468</b>	<b>100.00%</b>	<b>33,524,037</b>	<b>100.00%</b>	<b>49,449,737</b>	<b>100.00%</b>	<b>48,951,205</b>	<b>100.00%</b>

1/ Includes airlines no longer serving National or carriers with insignificant activity.

2/ Percentage may not add to 100 percent due to individual rounding.

Prepared by the Office of Finance

CY 1998		CY 1997		FY 1996		FY 1995		FY 1994	
Cargo Weight	Share	Cargo Weight	Share	Cargo Weight	Share	Cargo Weight	Share	Cargo Weight	Share
16,905,849	29.29%	18,226,947	29.71%	19,175,355	29.66%	19,000,372	27.51%	19,356,254	24.56%
624,255	1.08%	889,130	1.45%	775,281	1.20%	964,511	1.40%	2,048,941	2.60%
4,840,915	8.39%	5,186,862	8.46%	4,570,478	7.07%	4,673,165	6.77%	3,887,026	4.93%
8,876,752	15.38%	7,841,267	12.78%	9,897,873	15.31%	10,147,366	14.69%	12,139,634	15.41%
2,147,757	3.72%	2,145,325	3.50%	1,877,231	2.90%	1,959,248	2.84%	1,670,954	2.12%
7,909,600	13.70%	8,090,434	13.19%	9,271,294	14.34%	11,479,005	16.62%	13,077,862	16.60%
7,876,111	13.65%	10,006,025	16.31%	10,985,904	17.00%	10,944,517	15.84%	13,031,857	16.54%
4,235,067	7.34%	4,083,807	6.66%	2,705,647	4.19%	3,997,955	5.79%	6,235,971	7.91%
-	-	-	-	-	-	-	-	-	-
782,039	1.36%	964,708	1.57%	615,846	0.95%	538,495	0.78%	409,187	0.52%
-	-	-	-	-	-	-	-	-	-
240,043	0.42%	473,644	0.77%	421,890	0.65%	699,395	1.01%	702,409	0.89%
-	-	-	-	-	-	-	-	-	-
4,873	0.01%	14,005	0.02%	20,428	0.03%	14,183	0.02%	40,104	0.05%
71,744	0.12%	36,292	0.06%	17,300	0.03%	3,632	0.01%	-	-
-	-	-	-	90	0.00%	-	-	-	-
579,763	1.00%	138,239	0.23%	396,325	0.61%	38,926	0.06%	-	-
-	-	-	-	-	-	-	-	-	-
7,175	0.01%	6,999	0.01%	8,332	0.01%	16,449	0.02%	9,014	0.01%
89,643	0.16%	3,795	0.01%	69	0.00%	300	0.00%	-	-
-	-	-	-	-	-	-	-	-	-
2,510	0.00%	-	-	-	-	-	-	-	-
2,500,830	4.33%	3,230,088	5.27%	3,892,090	6.02%	4,493,135	6.50%	6,174,734	7.84%
-	-	-	-	-	-	-	-	-	-
19,870	0.03%	2,924	0.00%	9,742	0.02%	107,849	0.16%	17,119	0.02%
<b>57,714,796</b>	<b>100.00%</b>	<b>61,340,491</b>	<b>100.00%</b>	<b>64,641,175</b>	<b>100.00%</b>	<b>69,078,503</b>	<b>100.00%</b>	<b>78,801,066</b>	<b>100.00%</b>

**CARGO MARKET SHARE ENPLANED**

(Expressed in Pounds)

*Washington Dulles International Airport*

Airline	CY 2003		CY 2002		CY 2001		CY 2000		CY 1999	
	Cargo Weight	Share	Cargo Weight	Share	Cargo Weight	Share	Cargo Weight	Share	Cargo Weight	Share
<b>DOMESTIC CARGO</b>										
Federal Express	72,467,555	44.34%	90,967,737	47.38%	88,358,150	41.68%	91,583,330	35.10%	90,136,461	34.12%
United Airlines	62,396,831	38.18%	72,840,463	37.94%	81,358,395	38.38%	109,265,864	41.87%	110,664,366	41.89%
Airborne Express	8,749,084	5.35%	9,150,502	4.77%	9,941,637	4.69%	11,066,441	4.24%	12,033,717	4.56%
United Parcel	7,347,070	4.50%	6,192,586	3.23%	5,974,164	2.82%	7,401,171	2.84%	6,403,285	2.42%
American Airlines	4,106,286	2.51%	4,643,111	2.42%	6,992,499	3.30%	12,123,012	4.65%	13,606,248	5.15%
Continental Airlines	2,811,793	1.72%	3,498,512	1.82%	3,271,626	1.54%	4,597,958	1.76%	4,361,175	1.65%
Delta Airlines	2,557,510	1.56%	2,774,213	1.44%	2,577,754	1.22%	2,547,541	0.98%	3,255,877	1.23%
Northwest Airlines	641,324	0.39%	1,487,143	0.77%	1,483,469	0.70%	1,403,491	0.54%	2,254,044	0.85%
America West	291,963	0.18%	10,674	0.01%	-	-	3,350	0.00%	85,452	0.03%
US Airways	146,319	0.09%	159,500	0.08%	469,911	0.22%	877,779	0.34%	1,196,697	0.45%
JetBlue	86,081	0.05%	57,644	0.03%	-	-	-	-	-	-
Continental Express	57,180	0.03%	67,640	0.04%	182,233	0.09%	305,041	0.12%	91,224	0.03%
Comair	3,414	0.00%	6,814	0.00%	9,074	0.00%	5,009	0.00%	5,339	0.00%
Allegheny	686	0.00%	4,206	0.00%	9,271	0.00%	13,671	0.01%	14,071	0.01%
Chautauqua	450	0.00%	-	-	1,329	0.00%	2,737	0.00%	2,432	0.00%
Emery	-	-	-	-	10,319,760	4.87%	16,957,159	6.50%	17,866,435	6.76%
Trans World Airlines	-	-	-	-	666,631	0.31%	1,562,073	0.60%	1,398,551	0.53%
Midwest Express	-	-	27,773	0.01%	194,658	0.09%	484,585	0.19%	131,958	0.05%
Mountain Air	-	-	1,600	0.00%	8,248	0.00%	76,844	0.03%	76,368	0.03%
PSA Airlines	-	-	-	-	299	0.00%	23,710	0.01%	51,869	0.02%
Kitty Hawk Air Cargo	-	-	-	-	-	-	370,287	0.14%	44,454	0.02%
Legend	-	-	-	-	-	-	204,019	0.08%	-	-
AirTran (Valujet)	-	-	-	-	-	-	50,161	0.02%	473,157	0.18%
CommuatAir	-	-	-	-	-	-	33,018	0.01%	15,800	0.01%
Other 1/	1,773,462	1.09%	98,211	0.05%	167,353	0.08%	-	-	2,865	-
<b>TOTAL DOMESTIC 2/</b>	<b>163,437,008</b>	<b>100.00%</b>	<b>191,988,329</b>	<b>100.00%</b>	<b>211,986,461</b>	<b>100.00%</b>	<b>260,958,251</b>	<b>100.00%</b>	<b>264,171,845</b>	<b>100.00%</b>
<b>INTERNATIONAL CARGO</b>										
United Airlines	39,940,381	37.41%	42,985,025	38.65%	42,534,428	37.08%	52,268,673	40.93%	50,087,031	44.61%
Lufthansa German	12,251,601	11.47%	10,364,929	9.32%	12,650,701	11.03%	12,760,821	9.99%	8,286,771	7.38%
British Airways	10,758,490	10.08%	9,074,725	8.16%	10,258,786	8.94%	16,391,775	12.84%	12,596,636	11.22%
All Nippon	7,236,405	6.78%	8,318,691	7.48%	8,235,468	7.18%	9,533,827	7.47%	8,981,294	8.00%
Austrian	6,593,887	6.18%	5,926,046	5.33%	4,704,800	4.10%	1,795,376	1.41%	-	-
Virgin Atlantic	6,485,883	6.07%	7,531,089	6.77%	8,130,042	7.09%	9,283,100	7.27%	10,319,735	9.19%
Swissair	5,889,946	5.52%	1,678,099	1.51%	5,230,183	4.56%	5,145,354	4.03%	5,309,308	4.73%
Air France	5,032,086	4.71%	5,552,156	4.99%	5,858,226	5.11%	5,187,814	4.06%	5,909,117	5.26%
Northwest Airlines	1,340,944	1.26%	3,042,907	2.74%	3,355,483	2.92%	2,835,503	2.22%	2,466,950	2.20%
Taca International	913,388	0.86%	905,820	0.81%	940,378	0.82%	926,524	0.73%	847,477	0.75%
Saudi Arabian	886,750	0.83%	1,225,157	1.10%	1,672,694	1.46%	954,181	0.75%	1,342,072	1.20%
Aeroflot Soviet Airlines	874,555	0.82%	525,752	0.47%	546,684	0.48%	245,341	0.19%	150,249	0.13%
Korean Air	468,292	0.44%	672,406	0.60%	257,662	0.22%	386,414	0.30%	922,158	0.82%
Air Canada	123,219	0.12%	79,789	0.07%	43,395	0.04%	76,599	0.06%	70,321	0.06%
Ethiopian	112,949	0.11%	172,870	0.16%	226,948	0.20%	259,152	0.20%	204,779	0.18%
BWIA International	20,688	0.02%	19,258	0.02%	35,878	0.03%	53,687	0.04%	9,212	0.01%
Sabena	-	-	-	-	3,477,123	3.03%	4,549,426	3.56%	568,829	0.51%
SpanAir	-	-	-	-	2,690,300	2.35%	5,056,162	3.96%	4,108,794	3.66%
Other 1/	7,840,831	7.34%	13,130,454	11.81%	3,870,351	3.37%	-	-	85,645	0.08%
<b>TOTAL INT'L 2/</b>	<b>106,770,295</b>	<b>100.00%</b>	<b>111,205,173</b>	<b>100.00%</b>	<b>114,719,530</b>	<b>100.00%</b>	<b>127,709,729</b>	<b>100.00%</b>	<b>112,266,378</b>	<b>100.00%</b>

1/ Includes airlines no longer serving National or carriers with insignificant activity.

2/ Percentage may not add to 100 percent due to individual rounding.

Source: Office of Air Service Development  
Prepared by the Office of Finance

## Exhibit S-15

CY 1998		CY 1997		FY 1996		FY 1995		FY 1994	
Cargo Weight	Share	Cargo Weight	Share	Cargo Weight	Share	Cargo Weight	Share	Cargo Weight	Share
93,270,356	34.33%	78,194,811	29.84%	71,596,099	29.73%	70,355,516	30.17%	70,587,016	33.52%
116,328,506	42.82%	128,079,471	48.88%	119,015,654	49.42%	111,500,715	47.81%	93,040,533	44.18%
11,515,092	4.24%	9,673,211	3.69%	9,620,684	4.00%	9,250,505	3.97%	9,442,484	4.48%
5,921,373	2.18%	4,697,438	1.79%	4,690,761	1.95%	2,106,491	0.90%	370,036	0.18%
14,335,222	5.28%	15,314,212	5.84%	16,058,589	6.67%	15,858,143	6.80%	12,787,913	6.07%
5,518,200	2.03%	3,784,584	1.44%	793,710	0.33%	-	-	1,479,404	0.70%
6,560,333	2.41%	6,484,383	2.47%	5,916,040	2.46%	5,815,562	2.49%	6,943,182	3.30%
1,903,569	0.70%	1,728,771	0.66%	2,733,230	1.13%	4,179,382	1.79%	3,932,043	1.87%
806,871	0.30%	680,464	0.26%	-	-	-	-	-	-
1,938,734	0.71%	2,079,372	0.79%	1,924,954	0.80%	1,902,703	0.82%	2,336,495	1.11%
-	-	-	-	-	-	-	-	-	-
201,395	0.07%	206,567	0.08%	-	-	14,375	0.01%	45,429	0.02%
2,003	0.00%	383	0.00%	3,474	0.00%	25,866	0.01%	63,170	0.03%
4,831	0.00%	-	-	-	-	786,442	0.34%	-	-
-	-	-	-	-	-	-	-	-	-
10,139,665	3.73%	4,524,438	1.73%	3,631,707	1.51%	3,723,867	1.60%	4,035,614	1.92%
1,388,380	0.51%	1,552,073	0.59%	2,050,809	0.85%	2,398,467	1.03%	2,931,384	1.39%
-	-	-	-	-	-	-	-	-	-
993,510	0.37%	3,117,529	1.19%	2,502,145	1.04%	2,718,208	1.17%	2,430,485	1.15%
40,539	0.01%	65,006	0.02%	38,093	0.02%	18,086	0.01%	-	-
31,650	0.01%	9,726	0.00%	-	-	786,442	0.34%	-	-
-	-	-	-	-	-	-	-	-	-
661,928	0.24%	870,277	0.33%	-	-	-	-	-	-
18,586	0.01%	34,359	0.01%	46,242	0.02%	98,157	0.04%	18,031	0.01%
108,263	0.04%	921,205	0.35%	194,750	0.08%	1,674,463	0.72%	164,906.00	0.08%
<b>271,689,006</b>	<b>100.00%</b>	<b>262,018,280</b>	<b>100.00%</b>	<b>240,816,941</b>	<b>100.00%</b>	<b>233,213,390</b>	<b>100.00%</b>	<b>210,608,125</b>	<b>100.00%</b>
52,070,537	44.61%	58,308,192	47.41%	38,469,111	40.13%	33,078,618	35.18%	31,989,165	35.77%
7,320,791	6.27%	8,929,602	7.26%	11,311,723	11.80%	9,325,953	9.92%	9,410,711	10.52%
17,888,716	15.33%	15,994,118	13.00%	12,047,464	12.57%	12,847,090	13.66%	11,576,382	12.94%
8,166,266	7.00%	7,281,914	5.92%	6,433,839	6.71%	5,400,895	5.74%	3,946,227	4.41%
-	-	601,079	0.49%	3,209,076	3.35%	1,588,270	1.69%	-	-
8,929,461	7.65%	9,116,767	7.41%	1,854,636	1.93%	-	-	-	-
5,588,629	4.79%	5,212,118	4.24%	2,569,666	2.68%	1,607,864	1.71%	1,028,732	1.15%
5,757,639	4.93%	8,532,199	6.94%	10,745,011	11.21%	13,120,233	13.96%	12,848,853	14.37%
2,461,898	2.11%	3,974,719	3.23%	2,932,398	3.06%	-	-	-	-
996,678	0.85%	800,962	0.65%	666,357	0.70%	434,396	0.46%	435,385	0.49%
1,154,359	0.99%	1,466,118	1.19%	1,249,860	1.30%	1,294,088	1.38%	1,305,666	1.46%
215,381	0.18%	149,533	0.12%	222,376	0.23%	673,583	0.72%	569,258	0.64%
772,920	0.66%	892,027	0.73%	354,066	0.37%	57,217	0.06%	-	-
447,059	0.38%	337,052	0.27%	78,875	0.08%	10,685	0.01%	-	-
220,411	0.19%	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
4,319,526	3.70%	411,123	0.33%	-	-	-	-	-	-
418,523	0.36%	988,183	0.80%	3,727,877	3.89%	14,578,613	15.51%	16,324,907	18.25%
<b>116,728,794</b>	<b>100.00%</b>	<b>122,995,706</b>	<b>100.00%</b>	<b>95,872,335</b>	<b>100.00%</b>	<b>94,017,505</b>	<b>100.00%</b>	<b>89,435,286</b>	<b>100.00%</b>

## PASSENGER FACILITY CHARGES

Exhibit S-16

*Ronald Reagan Washington National Airport*

AIRLINE	CY 2003	Share	CY 2002	Share	CY 2001	Share	CY 2000	Share	CY 1999	Share
US Airways	\$ 10,062,187	36.06%	\$ 8,571,068	37.50%	\$ 8,772,883	39.54%	\$ 7,770,471	35.65%	\$ 7,777,028	41.68%
Delta	5,065,142	18.15%	3,973,817	17.38%	3,733,822	16.83%	4,753,070	21.80%	3,005,365	16.11%
American	4,359,403	15.62%	3,563,335	15.59%	2,416,394	10.89%	2,687,009	12.33%	2,253,019	12.08%
Northwest	2,304,019	8.26%	1,901,629	8.32%	1,597,090	7.20%	1,569,256	7.20%	1,338,552	7.17%
United Airlines	2,027,118	7.27%	1,523,849	6.67%	1,351,483	6.09%	1,203,429	5.52%	1,211,813	6.49%
Continental	1,446,918	5.19%	1,210,423	5.30%	1,326,599	5.98%	1,441,201	6.61%	1,510,031	8.09%
Midwest Express	678,250	2.43%	553,236	2.42%	452,258	2.04%	359,395	1.65%	256,524	1.37%
America West	604,056	2.16%	537,107	2.35%	490,270	2.21%	198,967	0.91%	107,466	0.58%
American Trans Air	539,905	1.94%	453,007	1.98%	439,834	1.98%	317,765	1.46%	-	-
Air Canada	277,365	0.99%	213,027	0.93%	232,780	1.05%	235,720	1.08%	244,996	1.31%
Trans World Airlines	-	-	(82,509)	-0.36%	645,269	2.91%	731,269	3.35%	718,400	3.85%
Midway	-	-	90,446	0.40%	165,919	0.75%	201,078	0.92%	115,837	0.62%
Other	537,261	1.93%	350,370	1.53%	563,467	2.54%	329,474	1.51%	118,859	0.64%
<b>TOTAL 1/</b>	<b>\$ 27,901,624</b>	<b>100.00%</b>	<b>\$ 22,858,805</b>	<b>100.00%</b>	<b>\$ 22,188,067</b>	<b>100.00%</b>	<b>\$ 21,798,104</b>	<b>100.00%</b>	<b>\$ 18,657,890</b>	<b>100.00%</b>

*Washington Dulles International Airport*

AIRLINE	CY 2003	Share	CY 2002	Share	CY 2001	Share	CY 2000	Share	CY 1999	Share
United	\$ 16,620,394	54.43%	\$ 18,829,384	55.25%	\$ 14,219,769	56.78%	\$14,583,949	54.90%	\$ 12,641,391	52.78%
Delta	2,391,578	7.83%	3,325,873	9.76%	1,993,875	7.96%	2,347,850	8.84%	1,666,687	6.96%
American	1,825,554	5.98%	2,198,347	6.45%	1,153,186	4.60%	1,277,353	4.81%	1,033,488	4.31%
JetBlue	1,578,953	5.17%	994,902	2.92%	-	-	-	-	-	-
Lufthansa	862,049	2.82%	967,186	2.84%	774,855	3.09%	691,057	2.60%	599,993	2.50%
Northwest	796,116	2.61%	1,024,875	3.01%	802,912	3.21%	717,669	2.70%	539,461	2.25%
British Airways	777,962	2.55%	859,368	2.52%	462,819	1.85%	537,144	2.02%	533,814	2.23%
AirTran (Valujet)	757,141	2.48%	801,013	2.35%	652,447	2.61%	576,579	2.17%	508,335	2.12%
US Airways	703,995	2.31%	798,239	2.34%	1,212,691	4.84%	2,824,461	10.63%	3,754,399	15.67%
Continental	503,137	1.65%	635,401	1.86%	509,821	2.04%	450,302	1.70%	393,356	1.64%
America West	421,309	1.38%	29,534	0.09%	(383)	0.00%	9,516	0.04%	41,863	0.17%
Air France	404,383	1.32%	452,155	1.33%	366,442	1.46%	297,842	1.12%	257,540	1.08%
Austrian Airlines	352,009	1.15%	331,885	0.97%	177,174	0.71%	120,823	0.45%	8,840	0.04%
Air Canada	345,372	1.13%	319,615	0.94%	284,810	1.14%	262,389	0.99%	152,994	0.64%
Taca International	301,398	0.99%	409,614	1.20%	199,903	0.80%	158,545	0.60%	110,478	0.46%
Virgin Atlantic	230,746	0.76%	274,728	0.81%	352,758	1.41%	23,637	0.09%	437,833	1.83%
All Nippon	186,932	0.61%	294,227	0.86%	134,575	0.54%	203,347	0.77%	155,177	0.65%
Korean Airlines	180,881	0.59%	175,324	0.51%	153,538	0.61%	151,781	0.57%	93,331	0.39%
Aeroflot	65,476	0.21%	52,285	0.15%	33,848	0.14%	28,800	0.11%	10,505	0.04%
Ethiopian	41,407	0.14%	39,387	0.12%	22,713	0.09%	35,355	0.13%	170,353	0.71%
BWIA International	30,443	0.10%	48,560	0.14%	39,675	0.16%	31,871	0.12%	-	-
Saudi Arabian Airlines	20,084	0.07%	15,210	0.04%	7,680	0.03%	10,838	0.04%	12,596	0.05%
Trans World Airlines	-	-	(15,075)	-0.04%	218,428	0.87%	275,256	1.04%	240,333	1.00%
Sabena	-	-	(11,683)	-0.03%	160,092	0.64%	154,764	0.58%	-	-
Span Air	-	-	(6,191)	-0.02%	71,870	0.29%	169,097	0.64%	101,838	0.43%
Transbrasil Airlines	-	-	-	-	-	-	2,791	0.01%	3,136	0.01%
United Parcel Service	-	-	-	-	-	-	300	0.00%	884	0.00%
Swiss Air	(25,392)	-0.08%	192,731	0.57%	156,272	0.62%	213,737	0.80%	-	-
Other	1,164,492	3.81%	1,041,382	3.06%	883,291	3.53%	405,920	1.53%	483,225	2.02%
<b>TOTAL 1/</b>	<b>\$ 30,536,420</b>	<b>100.00%</b>	<b>\$ 34,078,276</b>	<b>100.00%</b>	<b>\$ 25,045,060</b>	<b>100.00%</b>	<b>\$ 26,562,972</b>	<b>100.00%</b>	<b>\$ 23,951,850</b>	<b>100.00%</b>

1/ Percentage may not add to 100 percent due to individual rounding.

Prepared by the Office of Finance

**REVENUE BOND COVERAGE**

Exhibit S-17

**For Years 1994 - 2003**

(Dollars in Thousands)

YEAR	TOTAL REVENUES 1/	DIRECT OPERATING EXPENSES 2/	NET REVENUE AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS			
				Principal	Interest	Total	Coverage
CY 2003	\$ 396,038	\$ 196,433	\$ 199,604	\$ 51,875	\$ 89,953	\$ 141,829	1.41
CY 2002	393,586	194,629	198,957	43,478	91,772	135,250	1.47
CY 2001	391,339	187,048	204,291	35,202	87,383	122,585	1.67
CY 2000	391,147	180,595	210,552	34,839	88,341	123,180	1.71
CY 1999	366,432	171,979	194,453	83,238	31,943	115,181	1.69
CY 1998	331,829	148,839	179,812	69,077	26,856	95,933	1.87
CY 1997	265,571	129,271	136,300	44,770	24,525	69,295	1.97
FY 1996	230,719	122,727	107,992	34,885	16,416	51,301	2.11
FY 1995	208,355	112,801	95,554	32,689	14,206	46,895	2.04
FY 1994	193,025	115,367	77,658	27,436	9,371	36,807	2.11

1/ Total Revenues including transfers

2/ Operating expenses include Telecommunications, Washington Flyer Ground Transportation Subsidy, and Washington Flyer Magazine Subsidy.

*Note: Calculated based on Authority Agreed Upon Procedures, not in accordance with generally accepted accounting principles (GAAP).*

## INSURANCE PROGRAM FOR OPERATIONS

Exhibit S-18

<b>POLICY</b> <b>10/01/03 - 10/01/04</b>	<b>CARRIER</b>	<b>LIMITS</b>	<b>RETENTION/ UNDERLYING</b>
Airport Liability	ACE USA	\$ 500,000,000	\$100,000/1,000,000
War Risk	Lloyd's of London ACE USA	\$ 50,000,000	\$ 100,000
Vehicle Liability (Excess Layer)	ACE USA	\$ 50,000,000	\$1,000,000
Washington Flyer/Bus Liability (Excess Layer)	National Interstate ACE USA	\$ 10,000,000 \$ 50,000,000	\$10,000 10,000,000
Public Officials Liability	ACE USA	\$ 10,000,000	\$3,000,000
Law Enforcement Liability	ACE USA	\$ 10,000,000	3,000,000
Employment Practices	General Star (VACO)	\$ 10,000,000	1,000,000
Property (All Risk)	FM Global	\$ 750,000,000	\$100,000
Tunnel Collapse			250,000
Flood		\$ 25,000,000	\$500,000
Boiler & Machinery			100,000
Mycom Turbo System			\$500,000
Terrorism (TRIA)	FM Global	\$ 750,000,000	100,000
Noncertified Terrorism	FM Global	\$ 100,000,000	100,000
Workers' Compensation (Employer's Liability & Jones Act)	Insurance Co. PA (AIG)	VA Statutory \$1,000,000 (Acc./Dis.)	\$250,000/1,000,000 \$250,000/1,000,000
Business Travel Coverage (Including Foreign)	AIG	\$500,000/1,000,000 \$ 5,000,000	
Pollution (10/30/02-1030/05)	LSI Corp. (Liberty Mutual)	\$ 5,000,000	\$1,000,000
Fiduciary Liability	Travelers Insurance	\$ 5,000,000	\$5,000
Crime	National Union Fire	\$ 10,000,000	\$75,000
Special Coverage	Chubb	\$ 5,000,000	
Long-Term Disability	CIGNA	60% of Base Salary	N/A

Source: Office of Business Administration



**INSURANCE PROGRAM FOR CONSTRUCTION****Exhibit S-19*****Owner Controlled Wrap-up Insurance Program***

<b>POLICY</b>	<b>COVERAGE DATE</b>	<b>CARRIER</b>	<b>LIMIT</b>	<b>RETENTION</b>
Builder's Risk (Includes Terrorism)	10/03 - 10/04	FM Global	\$ 514,619,449 Property	\$ 100,000
Contractor's General Liability	06/03 - 06/04	St. Paul Fire & Marine National Union Star Excess	\$ 200,000,000	\$ 1,000,000
Contractor's Pollution Liability Includes Coverage for: <i>bodily injury, property damage and clean-up costs related to on-site construction projects</i>	06/02 - 06/04	American International Group	\$ 10,000,000	\$ 50,000
Workers' Compensation & Employers Liability	06/03 - 06/04	St. Paul Fire & Marine	VA Statutory	\$ 1,000,000

Source: Office of Business Administration



← Gates B29 - B31

Gates B24 - B26

↑ Gates B14 - B27

B32

B23 B25 B27

← Gates B23 B25 B27

Gates B24 - B26 ↑

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B24 B26



METROPOLITAN WASHINGTON AIRPORTS AUTHORITY